Austria	Sch[illegible]	Iran	Rls[illegible]	Pakistan	Rs[illegible]
Bahrain	Din[illegible]	Israel	Shk[illegible]	Philippines	Pe[illegible]
Belgium	BFr[illegible]	Italy	L2200	Poland	Zl 18,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc175
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.00	Kuwait	Fils.500	S.Arabia	SR9.00
Finland	FM[illegible]	Lebanon	L£[illegible]	Singapore	S$4.10
France	FFr8.00	Lux	LFr60	Spain	Pta175
Germany	DM3.20	Malta	48 cents	Sweden	SKr13
Greece	Dr280	Morocco	MDh[illegible]	Switz	SFr2.10
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bt[illegible]
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din[illegible]
India	Rs20	Norway	NKr13.00	Turkey	L[illegible]
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

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AIRLINES
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Section III

World News

Extradition ruled out for BCCI founder says Karachi

Agha Hasan Abedi, ailing founder of the Bank of Credit and Commerce International, will not be extradited to the US or any other country to face fraud and embezzlement charges, a government official in Karachi said.

The closure of BCCI's operations worldwide and Mr Abedi's indictment were engineered by the west and Israel, said Jam Sadiq, the highest elected official in southern Sindh Province, Pakistan's financial hub. Page 6; Editorial Comment, Page 10

Europe peace force call
An armed European peace force which could be used to separate the warring factions in Yugoslavia should be established by the nine-member Western European Union, Volker Rühe, the secretary-general of Germany's governing Christian Democrats, said. Page 12; Croatia to offer ethnic Serbs more autonomy, Page 2

Austria EC move
The European Commission said it would advise European Community governments to open talks with Austria on admitting it to the bloc. Page 12

Marcos ban lifted
The Philippines lifted its ban on exiled former first lady Imelda Marcos returning home but said she would be arrested when she did. The body of the late president Ferdinand Marcos will still not be allowed into the country. Page 4

Plea over asylum laws
Leading members of Germany's governing coalition and opposition parties called for urgent cross-party talks to tighten up the liberal laws on political asylum in the face of a new surge of illegal immigrants from eastern Europe. Page 2

Saddam reforms party
Iraq's president Saddam Hussein launched a broad restructuring of his ruling Ba'ath party in an effort to secure his power base. The reforms include holding party elections at all levels. Page 4

Campaign 'a hoax'
Homosexual activists who announced a campaign to expose prominent secret homosexuals in Britain said their threat had been a hoax to expose the hypocrisy of the British media.

Drought threatens India
India's growth prospects for the 1991-92 financial year, when sweeping economic reforms will be implemented, could be seriously affected by a drought in key states in the north. Page 4

Burma crackdown
Burma's military rulers have arrested 466 Moslems in a new crackdown on any signs of opposition, a Moslem source said. Page 4

Judge opposed
The leading US civil rights organisation, the National Association for the Advancement of Coloured People, opposed the appointment of Clarence Thomas to the US Supreme Court, calling him a "reactionary" and dealing a blow to the nomination of the black conservative judge. Page 3

Building occupied
Madagascar's opposition coalition stepped up pressure on President Didier Ratsiraka for political reform when its supporters occupied their eighth government ministry building in the capital. Page 4

Gypsies to be deported
Sweden will refuse asylum to about 1,000 gypsies who have fled ethnic violence in Poland, and has asked Poland to help stop others from fleeing.

Business Summary

US economy continues to show signs of recovery

THE US index of leading indicators rose 0.5 per cent in June – its fifth successive monthly increase – but new orders for factory goods were weaker than financial markets had expected, falling 1.4 per cent from May. The index was pushed up by a lengthening of the average working week as industry expanded production. Page 12

JAPAN will limit exports of cars to the European Community to 1.23m a year until 1999, thus freezing them at about present levels. Restrictions will end after that under an agreement between the EC and Japan's Trade and Industry Minister, Eiichi Nakao.

URUGUAY Round trade talks in Budapest are unlikely to finish this year, US officials fear, despite an offer from the European Commission to comply with a Gatt ruling against its oilseed subsidies. The talks hinge on farm subsidy reductions. Earlier report, Page 6

TRANS World Airlines' financial restructuring plan, which requires its chairman, Carl Icahn, to relinquish majority ownership, was welcomed on Wall Street. Page 14

BMW, German car maker, lifted first-half net profits by 8.2 per cent to DM381m ($218m). It expects turnover and earnings to be higher for the full year, in line with increased production and deliveries. Page 13

BANCO Di Napoli looks set to become Italy's first public-sector financial institution to privatise part of its capital. It is to raise between L400bn ($306m) and L450bn through the issue of 100m shares. Page 17

DOFASCO, Canada's biggest steelmaker, was hit hard by the recession in the second quarter, showing a loss of C$24.6m (US$21.5m) against a profit of C$27.7m a year earlier, on revenues of C$558m, against C$596m. Page 16

MULTI-FIBRE Arrangement, which governs world trade in textiles and clothing, has been extended until the end of 1992. It had been due to expire last night. Page 6

DRESDNER Bank said its partial operating profits rose 12 per cent to DM1.07bn ($611m) in the first half. These profits exclude trading on the bank's own account. Germany's Federal Cartel Office is to look at the competitive implications of the Allianz insurance group's 23 per cent stake in the bank. Page 13

GREEK Public Power Corporation (DEH) has signed a Dr20bn ($1046m contract with Asea Brown Boveri, Europe's largest electrical engineering group, to build a 132-megawatt power station on the island of Crete. Page 6

UNITECH, international electronic components maker, reports a fall in annual pre-tax profits from £26.2m ($44m) to £18.5m caused partly by the significant but unspecified cost of merging its two French connector companies. Page 19

LILLEY: Cubiertas and Entrecanales, leading Spanish civil engineering groups, are buying a 21.5 per cent stake in the Glasgow-based construction group. Lilley, for its part, is to invest £8.35m ($14m) in Cubiertas shares, giving it a 2 per cent interest. Page 19

COLUMBIA Gas System of Delaware, one of the largest natural gas transmission businesses in the US, filed for bankruptcy protection after heavy losses on long-term gas supply contracts. Page 13

HONG Kong invited tenders for the first major contract related to the colony's new airport plan, a 1,377m suspension bridge which will provide road and rail access to the new airport. Page 6

Pressure mounts on Israel as Moscow offers to restore relations

US and Soviets will co-sponsor Mideast talks

By **Lionel Barber** in Moscow, **Victor Mallet** in Jerusalem and **Max Rodenbeck** in Cairo

THE US and Soviet Union have agreed to co-sponsor a Middle East peace conference in October, a move which dramatically steps up pressure on Israel to agree to negotiations with its Arab neighbours.

US president George Bush, declaring that "an historic opportunity must not be lost", said in Moscow yesterday that Mr James Baker, US secretary of state, would return to Jerusalem today to seek a clear-cut response from Israel on participation in a regional conference which the two superpowers "are going to work to convene." The conference would be "designed to launch bilateral and multilateral negotiations".

The joint US-Soviet role in the Middle East underlines the growing co-operation between Washington and Moscow, a principal theme during summit talks between Mr Bush and President Mikhail Gorbachev which ended yesterday.

In a separate announcement aimed at enticing Israel to the negotiating table, Mr Alexander Bessmertnykh, Soviet foreign minister, said he would visit Jerusalem soon with a view to restoring diplomatic relations broken off in 1967 during the Seven-Day War.

All of Israel's Arab neighbours – including Egypt, Jordan, Syria and Lebanon – have accepted US proposals for a regional peace conference. But neither the Israeli government nor the Palestinians seemed prepared last night to waive their respective conditions for attending the proposed conference, and Mr Baker will find it difficult to break the deadlock.

Mr Baker's visit to Israel will be his sixth to the Middle East since the end of the Gulf war in an attempt to solve the Arab-Israeli dispute.

Before it agrees to attend a conference, Israel wants US assurances that the Palestinians will be represented jointly with Jordan and that their delegates will have no connections to the Palestine Liberation Organisation or to the Arab eastern side of Jerusalem over which Israel claims sovereignty.

Various compromises have been suggested but last night Mrs Hanan Ashrawi, one of the Palestinian leaders who has been holding talks with Mr Baker, again rejected the idea that Israel could choose its negotiating partners. "If they want us to accept that, then fine, we'll choose the Israeli negotiators," she said bitterly.

Pointing to the US refusal to recognise Israel's annexation of east Jerusalem, she questioned whether it would be possible for Mr Baker to give assurances to the Israelis that violated US policy.

However, an aide to Mr Yitzhak Shamir, the prime minister, said an Israeli yes would depend "on the answers we'll hear from the Americans, on things they'll hear from us". Mr Moshe Katzav, the transport minister, said it was up to the Arab countries and the Palestinians not to "create a situation that would make it impossible to convene the conference".

Mr Shimon Peres, leader of the opposition Labour party, said Israel should agree to the conference. "I don't see the point in delaying," he said.

The first visit to Egypt by Mr David Levy, the Israeli foreign minister, ended yesterday just before Mr Bush's announcement. Both sides expressed satisfaction with their three days of discussions.

Although the exact timing and location of the peace conference remain open, Mr Bush said the US and Soviet Union intended to issue invitations to all parties 10 days before the meeting convened.

Analysis, Page 3

President George Bush lays a wreath at the tomb of the unknown soldier in Moscow yesterday

Lethal Iraq nerve gas plant uses British chemicals

By Clive Cookson in London

IRAQ has built a pilot plant to manufacture the most lethal nerve gas known, whose production uses chemicals exported from the UK in the two years before the Gulf war.

Ingredients which can be used to manufacture the nerve agent Vx, were among the exports approved by UK Customs and Excise.

Records submitted by the Department of Trade and Industry to a parliamentary committee last week show that £283,000 ($475,000) worth of two chemicals which are direct precursors (ingredients) of Vx were sold to Iraq during 1989 and 1990.

There is no direct evidence to suggest that precursors for Vx found their way to the pilot plant in the Muthanna State Establishment – camouflaged as the State Enterprise for Pesticide Production – 80km north-west of Baghdad.

However the discovery of the plant suggests that Baghdad possesses some of the world's most sophisticated technology for making nerve gases.

Although Iraq had apparently not started full-scale production of Vx, the United Nations investigative team which has just returned from Baghdad says that three other sophisticated nerve agents were being used in weapons production. They include so-called organophosphorus nerve agents – sarin (GB), hexacyclosarin (GF) and tabun (GA). A few milligrams of these can kill a human being.

The UN discovered 46,000 chemical weapons spread across 10 sites. As well as the nerve agents some weapons contained less sophisticated mustard gas.

The UN team described conditions at Muthanna as "hazardous in the extreme". Many buildings were destroyed by Allied bombing during the Gulf war, unexploded bombs are still lying around and chemical weapons are leaking – as a result both of the bombardment and of poor Iraqi production and maintenance standards.

Mr Johan Mollander, a Swedish member of the inspection team, described Muthanna as "the world's worst extensive toxic waste dump," adding: "The garlic smell of mustard gas was in the air."

The Gulf one year on, Page 5

Start treaty begins an 'irreversible process'

By **John Lloyd** in Moscow

THE Soviet and US leaders yesterday hailed the Strategic Arms Reduction Treaty, signed at the Moscow summit, as the culmination of a nine-year labour and as the harbinger, in Soviet president Mikhail Gorbachev's words, "of an irreversible process."

The treaty will reduce each side's strategic nuclear weapons by approximately 35 per cent over seven years.

Mr Gorbachev said there was "a growing realisation of the absurdity of over-armament now that the world has started to move towards an era of economic interdependence." President George Bush, more prosaically, referred to the need for effective monitoring mechanisms and said that "stabilising reductions in our strategic nuclear forces reduces the risk of war".

The two presidents largely concurred in their forecasts for future progress on arms reduction. Mr Bush rejected "ethereal, utopian concepts" in favour of practical steps, while Mr Gorbachev stressed there was "still a lot to do" and that the questions of arms reduction must be "put to the other members of the nuclear club."

The signing ceremony was the public symbol of a summit which has stressed, in form and largely in content, the determination of both sides to give substance to the much-advertised "new era of co-operation" between them.

Neither leader was specific on the content of their talks on the Soviet economy and on the assistance the west might render – talks which took up a large part of their hours together. Mr Bush said that the participation of the Soviet Union in the International Monetary Fund and the World Bank on the basis of the special status granted to it at the London summit of the Group of Seven "was the most important thing the Soviet Union could do right now".

Mr Gorbachev said that "London was the beginning of a very important process" – but again called for a scrapping of the Cocom restrictions on technology transfer, which he said cost "billions of dollars" in lost contracts and were a relic.

The two sides agreed a joint statement on the ethnic conflict in Yugoslavia, saying that the resolution to the fighting "should be found by the Yugoslavian peoples themselves on the basis of democratic principles and by means of peace negotiations and constructive dialogue".

The press conference was delayed for about three minutes while Mr Bush suffered running repairs to the earpiece through which he was to receive a translation of Mr Gorbachev's remarks – and had continuous trouble with it throughout. After Mr Gorbachev's opening statement, Mr Bush began his own by saying "What I heard of it, I liked".

The incident, played out in good humour, stood as an unplanned glimpse of what appeared a genuine warmth between the two men. Mr Gorbachev at one point said that their relationship was "not a question of platonic love" but of a "deep understanding that we need each other today and in the future."

Germans suggest peace patrols for Yugoslavia, Page 12

Germany ready to accept two-speed monetary union

By **David Buchan** in Brussels

GERMANY HAS indicated its readiness to accept a two-speed move to monetary union by proposing that two separate European monetary institutions could co-exist until all 12 EC states are fit to adopt a common currency.

Bonn's proposal, made during discussions last month among officials on economic and monetary union (Emu) but which has just come to light, has drawn criticism from Mr Jacques Delors, the European Commission president, as well as Greece and Portugal.

However the Dutch presidency of the EC council of ministers, indicated yesterday that the idea would probably figure in a compromise paper to be put before EC finance ministers in late September.

Germany is suggesting that alongside the planned European central bank could exist a council of central bank governors – which the Dutch are already calling the European monetary institute – charged with the job of managing the parity link between the new Ecu, which would be the common currency of several EC states, and the existing national currencies of the weaker EC economies.

It would also help the latter group adapt their monetary instruments for eventually joining in Emu.

Mr Delors' fear is that there would be too few EC states to balance Germany in a "first-tier" Emu, which would therefore resemble a D-Mark bloc.

In an interview with the Financial Times, Mr Delors complained that, since the Luxembourg summit in late June, prospects for Emu had "got worse". He said "certain countries are losing patience and want a two-speed Emu". But several national delegations suggested yesterday that it was only common sense to cater in the forthcoming treaty for the likelihood that countries would enter Emu at varying speeds.

Despairing of the twelve's general lack of dynamism in the Emu negotiations, Mr Delors complained that finance ministers seemed "fed up with Europe" and this showed in the stress placed by most of them on strict economic convergence criteria for the final move to Emu. "If the transition is long, we will never have a single money," he said.

A long transition would have an effect on Britain's political will to join Emu. If the Spanish and the Portuguese, who had "crazy ideas" about getting special payments, and the Germans and the Dutch, who "might not be convinced" about the wisdom of Emu, "spin out the pretext for a long transition until the year 2002 or 2005, why then should the British make an effort?", Mr Delors asked.

It is hardly the first time that the Commission president has taken finance ministers to task for dragging their feet on Emu. But Mr Delors clearly feels they are departing dangerously far from the blueprint which his experts committee issued in 1989.

CONTENTS

Tripartite talks on Italy's economy show little progress

Employers, government and unions have been discussing how to improve Italy's competitiveness. Prime minister Giulio Andreotti has made the talks an issue of national pride, but so far there has been scant progress
Page 2

MARKETS

STERLING
New York lunchtime:
$1.682
London:
$1.685 (1.6805)
DM2.94 (2.9425)
FFr10.0 (10.0025)
SFr2.57 (2.5675)
Y231.5 (231.5)
£ Index 90.9 (90.9)

GOLD
New York: Comex Aug
$363.7 (362.5)
London:
$363.00 (362.65)

N SEA OIL (Argus)
Brent Sep
$19.875 (19.525)

Chief price changes yesterday: Page 13

DOLLAR
New York lunchtime:
DM1.7475
FFr5.94
SFr1.5265
Y137.4
London:
DM1.745 (1.7505)
FFr5.935 (5.955)
SFr1.525 (1.5285)
Y137.35 (137.8)
$ Index 66.8 (66.9)
Tokyo close: Y137.63

US LUNCHTIME RATES
Fed Funds: $5\frac{13}{16}$%
3-mo Treasury Bills: 5.681%
Long Bond: $97\frac{7}{16}$
yield: 8.352%

STOCK INDICES
FT-SE 100:
2,588.8 (−6.8)
FT Ordinary:
2,003.9 (−7.9)
FT-A All-Share:
1,235.89 (−0.2%)
New York lunchtime:
DJ Ind. Av.
3,016.55 (+0.23)
S&P Comp
386.7 (+0.01)
Tokyo: Nikkei
24,120.75 (+248.12)

LONDON MONEY
3-month Interbank:
$11\frac{3}{32}$% ($11\frac{1}{8}$)
Liffe long gilt future:
Sep $92\frac{5}{32}$ ($92\frac{3}{32}$)

Croatia to offer ethnic Serbs more autonomy

By Laura Silber in Zagreb

THE Croatian government will unveil a new strategy today aimed at granting more autonomy to the republic's ethnic Serb minority, and will reshuffle the cabinet in a move designed to secure a broader base of popular support.

However, Mr Milorad Pupovac, head of the opposition League of Social Democrats in Zagreb, said yesterday that "negotiations and the granting of autonomy is the only way to prevent a full-scale civil war, but I fear it may be too little, too late".

The plan, discussed among ministers earlier this week, envisages offering cultural and political autonomy to the ethnic Serbs. In exchange, they would agree to remain part of Croatia and would be expected to drop their demands that Serb-inhabited areas of Croatia should become part of the republic of Serbia.

The Serb minority make up 12 per cent of Croatia's 4.5m-strong population. Serbian rebels, centred in the self-proclaimed autonomous region of Krajina, have staged an armed uprising against Croatia's moves towards independence. More than 100 people have died in clashes over the past few months.

The change in strategy suggests that the Croatian leadership under Mr Franjo Tudjman has opted for the politics of negotiation instead of confrontation.

At the same time, the willingness to negotiate is intrinsically linked to Croatia's long-term goal of attaining a fully independent Croatian state.

Croat officials believe that the offer to give Serbs autonomy – although still tentative and subject to the reaction of the more nationalist elements in the ruling Croatian Democratic Union (HDZ) – is an attempt by the Croatian government to adhere to European Community standards on civil and human rights.

They believe that, in doing so, the government will gain more sympathy and support from the international community for Croatia's independence, and that the bloodshed and violence will be stemmed.

However, the government's attempts to negotiate – particularly with Serb nationalists from Knin who declared their autonomy from Croatia – may radicalise the extreme right of the HDZ, which refuses to make any concessions to Croatia's Serbs on the grounds that Croatia is the republic of the Croat nation.

It also remains uncertain if Mr Milan Babic, leader of Krajina's Serbs, will get the go-ahead from Serbia, under President Slobodan Milosevic, to negotiate such autonomy.

Indeed, it seems unlikely that Serbia would agree to negotiations which aimed at preventing the extension of Serbia's borders to include parts of Serbian-populated territories in Croatia.

Mr Babic, the prime minister of Krajina, has said he would only negotiate with Croatia's government to change borders and to join Krajina to Serbia.

Slovenia looks towards west for loans worth $1bn

SLOVENIA'S government is urgently seeking loans worth $1bn from western governments and commercial banks as part of its drive to orientate its industry towards hard currency markets, Mr Dusan Sasok, the republic's finance minister said yesterday, writes Judy Dempsey, East Europe correspondent.

If Slovenia obtains fresh loans, which are already being negotiated with Austrian, Italian and German banks, it will allow the government in Ljubljana to loosen further its economic ties with the rest of Yugoslavia. Mr Sasok said he hoped negotiations would be concluded by the end of August.

At the same time, Yugoslavia's National Bank is continuing to block the money supply to Slovenia, despite last month's Brioni peace accord which stipulated the lifting of all monetary flows imposed by the bank on Slovenia after its declaration of independence on June 25.

Mr Sasok said the bank's council which has representatives from the six republics and two provinces, was being "blocked by Serbia and its supporters. They continue to block any lifting of the suspension, despite instructions by Mr Ante Markovic, [federal prime minister], to end the ban".

The republic's share of the country's $14.6bn hard currency debt, he said, amounted to $1.7bn. Slovenia was also prepared to repay an extra $600m of the $3bn which had not been lent by the federal authorities to any specific republic.

Slovenia is also saddled with repaying to domestic savers $900m in hard currency deposited in Slovene banks in the republic. "Savers throughout Yugoslavia are owed $13bn. Savers have deposited $600m worth of savings in our [Slovene] banks, but in other republics. I do not think we will have to repay them because those republics spent the savings," he said. There is now a complete block on withdrawing hard currency savings from most banks in Yugoslavia.

Despite these financial commitments, Mr Sasok remains confident that the republic can retain a small hard currency trade surplus of between $100-$200m.

Inflation, now running at about 11 per cent a month, will close at an annual rate of 120-150 per cent. Mr Sasok also believes unemployment (out of a total labour force of 730,000) can be kept below 9 per cent.

Bonn prepares to stem the tide of immigrants

By Quentin Peel in Bonn and Leslie Colitt in Berlin

LEADING members of Germany's governing coalition and opposition parties have called for urgent cross-party talks to tighten up the country's liberal laws on political asylum, in the face of a new surge of illegal immigrants from eastern Europe.

Refugee camps in the east German states of Brandenburg and Saxony are already overflowing, and officials there fear an influx of up to 15,000 new asylum seekers, many of them Romanian gypsies, currently camping near the Polish border.

At the same time the pressure of asylum seekers is causing sharp divisions between the different German states, with Bremen and Bavaria currently at loggerheads over who should pay for their transport and accommodation.

Both Mr Björn Engholm, leader of the Social Democrats (SPD), and Mr Volker Rühe, secretary general of the Christian Democrats (CDU), who is number two in the party to Chancellor Helmut Kohl, have agreed on the need for cross-party talks to resolve what is a question of the country's fundamental constitution.

However, both the opposition SPD and the Free Democrats (FDP) in the ruling coalition are themselves deeply divided on the justification for tightening up the country's constitution, which gives more generous rights of political asylum than any other in the European Community.

Yugoslavia and Romania are the principal sources of the refugees, followed in recent months by Turkey, Iran, and Afghanistan.

Critics of the current law, including Mr Rühe, say the vast majority of the would-be asylum-seekers are actually economic, and not political, refugees. They argue that Germany should simply refuse to consider asylum for those coming from countries, such as Poland, where there is no longer any political repression.

Last year the numbers seeking asylum rose by 59 per cent to a record 193,000, and this year the figure is expected to top 200,000, adding to the pressures on housing and social security already caused by the big influx of ethnic German immigrants (397,000 last year).

So far this year, the German government had placed its hope in reaching a European Community agreement on limiting asylum rights, to overcome its own divisions. However Mr Rühe said yesterday that the situation was now too critical to wait for Brussels to act.

Brittan sees opportunity in battery merger

By Andrew Hill in Brussels

THE European Commission's clearance of the merger between Robert Bosch and Varta of Germany should help break down barriers in the European market for replacement car batteries, according to Sir Leon Brittan, the competition commissioner.

Sir Leon yesterday sanctioned the creation of an enlarged German battery group to rival that formed earlier this year when the Commission approved a merger between the battery operations of Fiat of Italy and France's Alcatel-Alsthom.

Each company will command about 25 per cent of the EC market for replacement car batteries, which is still divided along national lines.

"By allowing the creation of large-scale [battery] companies which can operate across borders, in fierce competition with other big players, we may help push down the barriers to a single market," he said.

Fiat and Varta have both had to submit to stringent conditions in order to win Commission approval for their deals. Varta, controlled by the wealthy Quandt family, will have to end a comprehensive licensing agreement with Deta/Mareg – a smaller rival controlled by another branch of the Quandt family – by 1994, and end overlapping membership of the supervisory board of the two groups.

Sir Leon hinted that the deal would probably have been blocked had Fiat not set up in the German market itself by buying one of Varta/Bosch's smaller competitors earlier this year. The presence of an international player would help offset the effect of Varta/Bosch's 44 per cent market share, he said.

Italy's tripartite talks: all talking and no action

Haig Simonian reports on the failure of unions, employers and government to agree what needs to be done to tackle declining competitiveness

REFORMING Italy's wage bargaining system and the *scala mobile* pay structure which partly links salaries to inflation was never going to be easy. Revising social security contributions and cracking down on tax evasion as well has made an already tough task virtually impossible.

However, that was the scope of the tripartite talks between unions, employers and government representatives which adjourned earlier this week for a summer break after one and a half, largely fruitless, months of discussion.

Although all sides agree action is needed to tackle Italy's declining competitiveness, it was clear from the start that getting minds to meet on how that should be done would be a tricky task.

Competitiveness has become a more acute problem since the lira joined the narrow band of the European monetary system last year, reducing the government's ability to tackle relatively high inflation and output costs by currency depreciations.

Demonstrating Italy's ability to keep up with its European partners in moving towards economic and monetary union has also turned into an issue of national pride. Entertaining Mr Jacques Delors, the Commission president, in Rome earlier this week, Mr Giulio Andreotti, Italy's prime minister, pointed to the talks as a sign of his country's determination to play a full part in EMU.

However, while no one doubts the good intentions behind the talks, the results so far have been extremely thin. That may have been inevitable given their scope: just getting all the participants to the negotiating table meant expanding them into a huge discussion of virtually every aspect of pay and fiscal policy.

Big business, represented by the Confindustria employers' federation, has focused on the *scala mobile*. Although the link between wage rises and inflation has been watered down steadily over the years, many businessmen see the it as the single biggest cause behind Italy's relatively high output costs.

The country's burdensome social security payments, which are among Europe's highest, are their second target. According to figures from the Nomisma research institute, the country ranks second only to France in the impact of non-pay factors in the total wage bill. Based on a gross wage of 100, total labour costs amount to 144.8 in France, 143.5 in Italy and just 118.1 in the UK.

While leading trade union representatives, like Mr Sergio d'Antoni, the recently-elected head of the CISL trade union federation, have been willing to accept a further loosening in the *scala mobile*, their price appears to be an extension of the national pay bargaining system to cover smaller companies, which are currently exempt.

Moreover, the unions are unwilling to give up the *scala mobile* entirely. In the absence of a minimum wage, the country's three union federations say the system protects both their own 9m members and the 6m-7m non-union employees who have no other form of guaranteed wage rises.

The three groups, which have reached an unprecedented level of agreement ahead of the tripartite talks, have learned from experience. Past differences both between and within the union confederation have weakened their position towards Confindustria's onslaught on wage indexation.

Tax evasion has been the second item on the unions' agenda. According to Mr Bruno Trentin, secretary-general of CGIL, Italy's biggest union group, the government must tighten up the hundreds of special fiscal benefits to certain groups. Cracking down on tax dodgers and widening the tax base is also an obvious way to generate extra revenue income to pay for social services and reduce the cost burden.

After more than six weeks of discussions, both unions and employers are now largely blaming the government for the lack of progress. According to employers' representatives, the government has paid lip service to the need to reform social security payments while proposing legislation which will raise industry's costs.

Meanwhile, the unions have criticised the authorities for being too vague on economic policy in general and failing to take a position on key issues in the talks.

But with general elections due sometime before next June, the government's room for manoeuvre is limited. Increasing fiscal revenues by introducing new direct or indirect taxes could cost votes, as could a crack-down on tax privileges.

The discussions have not been a complete waste of time, however. Problems have been aired, and participants now have a clearer idea of each others' bargaining positions. But optimists who claimed matters could be settled in just six weeks have revised their opinions.

The chances of the differences being bridged when the talks resume in September look slim. But the prospect of more limited agreements on key issues, such as the *scala mobile* and pay bargaining, are more probable, while other elements such as tax evasion could probably be fudged.

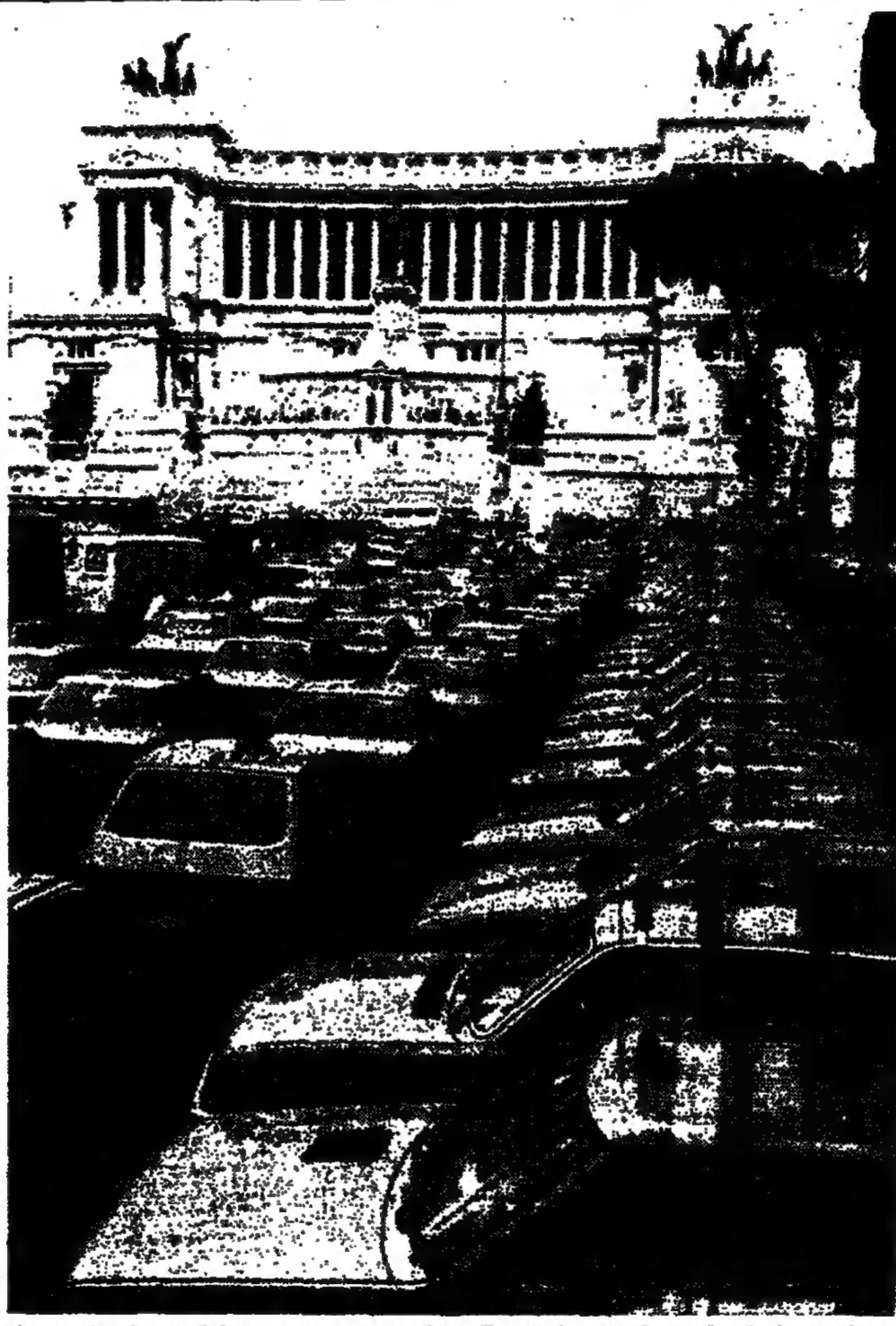
Ministers are already trying to put a brave face on the talks. Closing the first round earlier this week, Mr Claudio Martelli, the deputy prime minister, pointed to some progress, notably on reforming public-sector pay.

Negotiators will now be hoping that the holiday spirit, with four good weeks of sea or mountain air as part of the traditional summer *villeggiatura*, will encourage participants to take a brisker pace at the negotiating table when discussions resume in September.

ITALY'S COMPETITIVENESS: UNIT LABOUR COSTS*

	US	Germany	France	UK	Italy
1982	118.2	94.4	95.2	96.3	101.9
1983	118.3	95.1	94.4	87.0	108.7
1984	124.9	93.9	96.0	83.4	107.2
1985	127.4	92.8	99.6	83.3	104.8
1986	100.8	98.4	98.2	77.9	107.8
1987	88.1	109.2	97.8	75.3	106.6
1988	82.6	108.3	95.1	80.1	105.2
1989	85.1	106.3	92.2	79.9	111.8
1990	79.4	110.6	97.8	81.9	117.3

*Adjusted for real exchange rates and inflation. Source: Bank of Italy



The streets of central Rome were jammed with yellow taxis yesterday as hundreds of drivers gathered to protest against government plans to scrap their tax breaks next year.

Plan for special Oder-Neisse zone

By Leslie Colitt in Potsdam

GERMANY and Poland plan to establish a special economic zone on both sides of their Oder-Neisse border, which could "internationalise" the once bitterly-contested area, according to Mr Manfred Stolpe, prime minister of the east German state of Brandenburg, which borders on Poland.

The plan has the support of Chancellor Helmut Kohl who, after signing a border treaty with Poland earlier this year, instructed Mr Jürgen Möllemann, the economics minister, to work out specific projects with Warsaw. Senior German, Polish and European Community officials are to meet in the autumn in Poland to finalise the plan.

The zone, which belonged to Germany until 1945, would stretch 50km into east Germany and 100km into Poland.

Mr Stolpe said the economic zone would be "similar" to the one in China near Hong Kong. But Mr Stolpe warned against it becoming a solely "German-Polish affair" in which the Germans would again dominate. "We would not be doing Poland a good turn by this," he said.

Polish officials, especially in the depressed border area, are said to be highly enthusiastic about the plan.

Mr Stolpe, a Social Democrat, strongly favours the economic zone, which Chancellor Kohl, a Christian Democrat, said must help create a peaceful and prosperous German-Polish border region much like the once bitterly fought-over German-French border area.

Among the proposals under study in Bonn and Warsaw are a customs-free area for the Polish port of Szczecin (formerly Stettin) to allow it to serve the fast-expanding Berlin economy; the Gorzow district of Poland (close to Berlin) would be developed to supply food again to the German capital; and wood-processing factories could be established on the Polish side of the border. A Polish group wants to sell newly-built summer houses to Germans on the Pomeranian lakes.

A "bi-national" park is envisioned stretching across the lower Oder river, with German-built and operated hotels which would attract tourists.

But Mr Stolpe recently told Polish officials he believes that new border crossing points – the old ones are hopelessly overcrowded – are urgently needed, along with modern telephone links, if any of the projects are to succeed. It is difficult to telephone across the border without less than a 12 hour wait. Mr Stolpe also wants to restore pre-war ferry links across the Oder and Neisse rivers.

A key element of the zone would be a German-Polish Investment Bank with a capitalisation of DM500m, 70 per cent of it German.

Schlesinger sworn in at Bundesbank

By David Goodhart in Bonn

MR Helmut Schlesinger was yesterday formally sworn in as the fifth president of the Bundesbank since the organisation was established in 1957. The 66-year-old's term of office will last from today until September 30 1993 when he will be replaced by his current deputy Mr Hans Tietmeyer.

At a small ceremony in Bonn, which was not attended by the outgoing President, Mr Karl Otto Pöhl, who is on holiday in Portugal, Mr Schlesinger said it was a difficult moment in the unity process to be taking office. Regarded as an even more hard-line anti-inflation fighter than his predecessor, he was once accused by a US treasury secretary of "looking for signs of inflation under every pebble."

Mr Manfred Carstens, state secretary in the Finance Ministry, said at the ceremony that state spending in 1991 – planned to be DM410bn, a 7.9 per cent increase on 1990 – would actually be less than expected. The cause of the shortfall is the administrative bottleneck in east Germany which has made it impossible to spend as planned. It is not clear whether this shortfall will require a reduction in planned new borrowing of DM66.4bn by the Bonn government in 1991.

● The Institute of German Business (IW) said yesterday that monetary stability was in danger in Germany and that the inflation rate will reach 4.75 per cent by the end of the year. The average inflation rate for 1991 will be 3.5 per cent.

Flouting of EC law by member states increases

By David Gardner in Brussels

INFRACTIONS of EC law by member states increased sharply last year, though the rise is largely explained by a Brussels crackdown on late or sloppy implementation of EC directives.

The worst areas of non-compliance remain environment policy, single market and agriculture legislation, prompting Mr Carlo Ripa di Meana, EC enviroment commissioner, to call for a new inspectorate to ensure the Community's "green" laws are not flouted.

The number of letters sent by the Commission warning of proceedings increased to 960 last year against 704 in 1989. However, 616 of these were for failures to put directives on national statute books or inadequate translation into national law, against 352 cases in 1989, accounting for nearly all the increase.

These cases gave rise to 251 formal proceedings – against 199 in 1989 – but the number of infractions ending in the European Court fell from 108 to 77. This suggests, some Commission officials said, that the Brussels campaign is having an effect.

Environment officials were less sanguine. One said that a system in which "the member state is both the accused and the supplier of all the evidence" had led to a situation where even when directives were formally implemented many of their dispositions were not actually applied.

Brussels relies essentially on member states' responses to its inquiries and complaints from the public to monitor compliance with EC law.

Aides to Mr Ripa yesterday suggested that a new inspectorate might come under the European Environment Agency, the setting up of which has been delayed by France's insistence that Strasbourg be confirmed simultaneously as permanent home to the European Parliament.

Other areas of non-compliance ranged from Germany's failure to implement EC law on the publishing of company accounts to France, Spain and Italy's recalcitrance in recognising educational qualifications held by citizens from partner states.

Portugal, Greece, Spain and Italy are the worst offenders in the number of warning letters received, while Italy is by far the most frequent habitue of the Luxembourg Court, accounting for 24 out of last year's 77 prosecutions.

The UK was the subject of the most complaints about the environment: 125 out of 480, against 111 against Spain. These were most often about the quality of water, and reflect, Commission officials say, more active identification by EC citizens with the Community's aims.

The UK's place at the head of this particular league table may also reflect its "busybody" culture, particularly since a number of the complaints about Spain were brought by British citizens living there.

Greek budget crisis hits war pensions

THE Greek government, facing a budget crisis, is to halt payment of pensions to more than 70,000 veterans of Second World War resistance groups, under a plan to curb public spending, writes Kerin Hope in Athens.

The measure will mean a saving of Dr16bn ($80m) for the deficit-plagued state pension fund, according to finance ministry officials.

Mr Constantine Mitsotakis, the conservative prime minister, said that austerity measures were needed because the public sector deficit had exceeded forecasts.

The resistance veterans were granted pensions by a socialist government in the mid-1980s. The conservatives say that most are retired farmers who already receive pensions from an agricultural welfare fund.

Satellite broadcasters compel Brussels to delay HDTV plans

By Michael Skapinker in London and Andrew Hill in Brussels

STRONG opposition from satellite broadcasters has forced the European Commission to postpone plans to draw up a new system for high definition television (HDTV).

Mr Filippo Maria Pandolfi, the research commissioner, had set this Friday as a deadline for broadcasters and electronic equipment manufacturers to agree to a legally binding memorandum of understanding on HDTV. The meeting between the Commission and industry representatives scheduled for Friday has now been cancelled. The Commission is now unlikely to be able to resume negotiations on HDTV before September.

Thomson of France and Philips of the Netherlands, Europe's two largest consumer electronics companies, have been pressing Mr Pandolfi to introduce a new satellite broadcasting directive to encourage the use of the D2-Mac standard. The standard is Philips' and Thomson's answer to Japan's high definition system.

Broadcasters have said that compulsory use of the D2-Mac system would raise the cost of receiving equipment and stunt growth of the satellite television market.

Broadcasters say that, at a meeting in Brussels on Tuesday, Mr Pandolfi said that if companies did not feel ready to sign a binding memorandum of understanding they could sign a statement of principle which would not be legally binding.

He is reported to have told the broadcasters that he was considering making it mandatory for all new satellite services to be transmitted in D2-Mac while continuing to use the current non-HDTV standard. He suggested that existing satellite broadcasters could be given two years to begin broadcasting in both standards.

Broadcasters say he told them the Commission might be prepared to bear the full additional cost of broadcasting in D2-Mac. The Commission has already said it is prepared to contribute Ecu500m (£349m) to subsidise D2-Mac broadcasts. The companies say, however, that the total cost of broadcasting simultaneously in both the new and old standard would be considerably higher than that.

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THE MOSCOW SUMMIT

Treaty marks historic end to the old agenda

By Lionel Barber in Washington

THE Strategic Arms Reduction Treaty (Start) signed in Moscow yesterday actually reduces US and Soviet strategic nuclear arsenals, in contrast with the 1972 SALT 1 treaty, which only limited the growth of each side's long-range missiles.

The treaty will reduce each side's strategic nuclear weapons by approximately 35 per cent over seven years. It still leaves the US and Soviet Union with 9,000 and 7,000 warheads repectively, and it does not seek limits on the most dangerous category of ground-based mobile multiple warhead missiles nor sea-launched cruise missiles.

The question confronting the US and Soviet Union is: what comes next? Judging from remarks made during the signing ceremony in Saint Vladimir's Hall by the two leaders, there is no clear consensus on arms control priorities.

Mr Bush described the Start treaty as "a significant step forward in dispelling half a century of mistrust". He focused on the treaty's monitoring procedures which, he said, should translate "commitments made into real security".

Mr Gorbachev said the treaty signalled "the beginning of voluntary reductions in US and Soviet arsenals" which would dismantle the infrastructure of fear. Strategic arms control was acquiring a momentum which was hard to stop, he said.

The big difference here is that while Mr Bush is concentrating on the present, Mr Gorbachev has his eye on the future. This goes beyond the Soviet leader's natural political interest in strategic arms control which underscores the Soviet Union's superpower status. His agenda is clear: future US-Soviet agreements on tactical nuclear weapons in Europe, naval forces, chemical weapons and space-based weapons.

As Mr Alexander Bessmertnykh, Soviet foreign minister, said this week: "The business is not finished. We believe we should immediately go into negotiations on further reductions of strategic armaments for creating a situation of stability."

Mr Bush endorses the principle of further reductions in nuclear weapons, but he clearly favours a more leisurely pace. No new proposals on strategic arms are expected until the autumn, according to the White House.

As Mr Bush made clear during the joint press conference yesterday afternoon, the US remains committed to developing a ground-based defence against nuclear attack. This system is not nearly as ambitious as the space-based missile defence envisaged by President Ronald Reagan, popularly known as "Star Wars". Instead global protection against limited strikes (GPALS), which calls for ground-based anti-ballistic missile launchers at up to seven sites, supported by space-based sensors, is aimed at protecting the US against an accidental nuclear launch.

Both leaders indicated yesterday that they are focusing on nuclear proliferation as much as nuclear weapons stockpiles. Iraq's secret nuclear programme has acted as a catalyst, strengthening the view that nuclear arms control is no longer the preserve of the US and the Soviet Union. In this respect, General Brent Scowcroft, Mr Bush's national security adviser, was correct when he observed that the Start treaty, although historically significant, belongs to the old agenda.

Ukraine hails symbolism of visit

By Chrystia Freeland in Kiev

IF Mr Bush needed any confirmation that the US is the sole superpower he will receive it when he visits Kiev today, in the last leg of his trip to the Soviet Union.

President Gorbachev had to dodge parliamentary protests and Lenin volumes lobbed by angry demonstrators when he came to the Ukrainian capital last month. But Mr Bush is likely to see student activists merrily waving Ukrainian and American flags, and to be told of the western Ukrainian cities which have taken to renaming their streets after George Washington.

Ukrainians are delighted by the US president's decision to meet their leaders privately, address their parliament and tour their city, hailing it as an implicit acknowledgement of their growing independence and a first step to direct US-Ukrainian relations.

"I think President Bush's visit has an extraordinarily great significance," says Mr Ivan Pliushch, deputy head of the Ukrainian parliament. "The visit shows, intentionally or not, that President Bush acknowledges the objective development of democratic forces, of the national rebirth and of the Ukrainian people's struggle for independence."

The State Department would certainly not interpret the trip in such terms, but Mr Bush's decision to make a stopover in Kiev unaccompanied by Mr Gorbachev, together with his tête-à-tête with Russian President Boris Yeltsin in Moscow, suggests the White House is edging away from its policy of basing US-Soviet relations entirely on Mr Gorbachev.

The Ukraine's uniquely ambivalent position on the Union Treaty – it has neither rejected nor endorsed the deal – may make it particularly attractive to a White House which is also sending mixed messages.

Ukrainians hope Mr Bush will be receptive towards proposals to expand direct economic ties which were initiated this spring when \$5m (£2.9m) of US assistance to Chernobyl victims was channelled directly through the republican government.

Border killings cast shadow

By Leyla Boulton and John Lloyd in Moscow

THE MURDER of six Lithuanian border officials yesterday cast a shadow over the superpower summit amid speculation the violence was an attempt to discredit President Mikhail Gorbachev and hurt US-Soviet relations.

Mr Gorbachev, who was informed of the killings during his talks with President George Bush, said he would closely monitor an investigation and expressed his condolences to the victims' families.

He also said that "some people" were intent on destroying a dialogue he was holding with the Baltic republics, which are seeking independence from Moscow but are sceptical about the Kremlin's promises of a political settlement.

But Mr Bush, who on Tuesday tied freedom for the three Baltic republics with US aid for the Soviet Union, went out of his way to show support for his Soviet host. "It's not fair to take this – a border incident – under the heading of "freedom for the Baltics," he told a joint news conference.

The bodies of the two customs officers and four policemen were discovered at a makeshift customs post at Medininkai, on Lithuania's border with Byelorussia, at dawn on Wednesday. A seventh man later died in hospital. Surgeons were fighting to save the life of an eighth victim, who if he survives, will be the only witness to what police described as a particularly cruel attack. Many of the victims were shot in the head at point-blank range.

Mr Vytautas Landsbergis, the Lithuanian leader, said the attack was the work of either Soviet security forces or of the mafia. But he said that the Soviet leadership bore ultimate responsibility for attacks by its own security forces and even accused Washington of abandoning the Baltic cause.

Suspicions of guilt immediately focused on the controversial OMON élite police force, which has been involved in previous incidents at Lithuanian border posts and last month took over the Vilnius telephone exchange, cutting off the republic from the rest of the world for two hours.

Mr Boris Yeltsin, the Russian president who signed an unprecedented friendship treaty with Lithuania on Monday, condemned the attack.

● Separately, Interfax news agency reported that 14 to 15 people had died in an explosion on board a Moscow-Baku train.

President Bush laughs at a witticism made by President Gorbachev at a joint news conference in Moscow yesterday

Bush tells entrepreneurs of the 'American dream'

Hard times for Soviet business

By John Lloyd in Moscow

PRESIDENT George Bush had a power breakfast yesterday in Moscow with the Soviet Union's top private business leaders. Even in the present day anti-Soviet dis-Union, this is a slightly surreal event: the president, however, clearly enjoyed it hugely.

"As entrepreneurs, businessmen and risk takers, you hold the key to the future prosperity of the Soviet Union," he began. "You understand that opportunity arises when people act freely... No conclave of government experts, no matter how brilliant, can match the sheer ingenuity of the market... Some call it the American dream, but really it is the universal dream, and it is a dream that the Soviet people are striving to make real for themselves."

Mr Bush used the word "striving" advisedly. For Soviet businessmen (and some women, especially in professions such as the law, where they are strongly represented), making the dream real is often to enter the coils of a nightmare, compounded by official bureaucracy, public distaste and personal inexperience.

As Mr Bush was talking, Mr Vladimir Koskov, entrepreneur, businessman and risk-taker of Sverdlovsk, was striving to salvage his business from the clutches of the local KGB.

> This month he received a letter from the KGB asking to see his accounts

Mr Koskov, who had worked in the military industrial sector in Sverdlovsk, has over the past two years built up his own business, SA Ural, from scratch. It employs 3,000 people and has a turnover of Rbs300m a year. This month, he received a letter from the KGB asking to examine his accounts: he now fears that an investigation may close him down.

Also as the president spoke early yesterday, Muscovites were enjoying a rare, if small, break from spiralling prices: Metro rides were free. A company named MMM, calling itself the Soviet Union's largest maker of computers and electronic office equipment, had paid for the day's fares in exchange for the right to advertise its name and products on station loudspeakers.

Yet, when a reporter from Izvestia called the company to discover who had conceived the unprecedented stunt, he could get no names – because the executives feared an adverse reaction to them from the public.

Two years ago, Mr Vladimir Zaitsev, director of the Polet aerospace plant in Omsk, was told to convert around half of his mainly defence-related output to civilian production, and to sell it "on the market". As he recounted the story in yesterday's edition of Pravda: "Unnecessary haste was built into the plan. There were no elements of the market in the Defence Ministry. The state assigned us the inputs and took all of our production."

But success can come. Mr Zaitsev's struggle with the market became easier when he cut himself free of the Defence Ministry, went into a joint venture with the French company Thomson and began producing household appliances and other goods for the Soviet and foreign markets. He believes he can get up to world standard in a few years, and now calls on the government to free industry from its orders.

"Your task will be difficult," Mr Bush said yesterday. You can say that again, would be a collective response. For not only do the Soviet entrepreneurs share their western colleagues' risk of business failure, they have their own, rather higher, risks of success.

AMERICAN NEWS

Peru seeks global converts to the sacred leaf

Moves are afoot to make coca a tradeable commodity, writes Sally Bowen

THE COCA leaf, classified by the UN as a psychotropic and therefore illegal substance since 1961, may become a tradeable commodity if recent Peruvian moves, as yet only semi-official, come to fruition.

A task force inside the Ministry of Foreign Affairs is studying how best to reverse coca's current illegal status and so permit its export; while Enaco, the state coca marketing board, has started an intensive publicity campaign to persuade Peruvians – and ultimately, it hopes, the world – of the benefits of "the sacred leaf".

No one knows exactly how much coca is grown in Peru – the US State Department estimated in 1988 there were 150,000 hectares being cultivated – but Mr Carlos Amat y Leon, Peru's respected former minister of agriculture, says new satellite pictures confirm 260,000 hectares under cultivation, with each hectare capable of producing 1.8 tonnes of coca leaf.

Coca is a traditional Andean crop and the leaf has been used for centuries by the local population for chewing, trading and a variety of cultural purposes. Only 25,000 small growers who registered prior to legislation in 1978 are unequivocally "legal". They farm principally in the Cuzco area and sell about 5,000 tonnes a year to Enaco at fixed prices.

But there are no legal outlets for growers in the Huallaga Valley, 250 miles north-east of Lima and now Peru's prime coca-growing zone, which developed after the 1978 law.

Of the 5,000 tonnes it buys annually, Enaco resells about 4,500 tonnes for chewing. The remainder is processed in Enaco's well-concealed, run-down plant in one of Lima's rougher districts.

Peruvians have grown coca for centuries, principally for chewing

The factory is running at only 10 per cent of capacity. It produces 92 per cent pure cocaine hydrochloride for medical use, exporting 420kg in 1989-90 to the US. About 1,000kg of the leaf finds its way to Italy for use in making vermouths, while Stepan, an American company based in New Jersey, imports the leaf under special licence and supplies Coca-Cola with a flavour essence extracted from it. (It is part of the popular history associated with the soft drink that its traditional bottle is modelled on the striated coca seed pod).

Yet coca tea bags, Enaco's principal product and a familiar sight on Peruvian supermarket shelves, cannot be exported. An attempt late last year to ship 7,300 boxes of "decocainised" bags to the US ended in their seizure and incineration by Drug Enforcement Administration officials in Miami. The importers are still trying to challenge a US Department of Justice ruling that even without the alkaloid which produces the cocaine drug, coca tea bags are not permissible under the 1961 UN Single Convention on Narcotic Drugs.

Peruvian experts are arguing increasingly vociferously that this ruling is nonsense. Coca's many medicinal properties are well-known to Bolivian and Peruvian peasants: apart from alleviating fatigue, it is held to be beneficial to the digestive and circulatory system.

Mr Amat y Leon says that North American "discrimination" against the coca leaf, as distinct from its derivative cocaine, is absurd. "No one with a modicum of education holds the grape, or those who grow it, responsible for alcoholism," he says.

By-products from coca abound. Enaco's Lima plant displays an array of coca wines, elixirs, honey, shampoo and toothpaste. The future for these is not bright, however – the wine is poor (with much sediment), while products like toothpaste use only small quantities of coca leaf against a large proportion of imported items.

Coca tea bags are a different prospect. Most of the leaf processed by Enaco goes into the 7m bags produced annually. Plant capacity is 60m.

"Just one per cent of the Japanese herbal tea market, and we'd be in full production," says Mr Victor Altamirano, Enaco general manager.

Mr Hugo Cabieses, an economic adviser to the Confederation of Traditional Coca Leaf Growers, favours bringing in South Korean experts in the marketing of ginseng to advise on coca, "which is just as beneficial as ginseng and actually more nutritious," he says. Ginseng is a hugely profitable export for South Korea, where it provides work for 30,000 peasant farmers and workers in processing plants.

Mr Cabieses also proposes an agreement with the US for the use of coca tea bags as a treatment for cocaine addicts: experiments show the tea bags can help wean addicts off cocaine.

Flooding the world with coca tea may seem an off-beat solution to Peru's problem. But eradication and/or substitution of hundreds of thousands of acres of "illegal" coca will take years, if at all, and will be immensely costly. Mr Amat y Leon estimates crop substitution would cost \$500m a year for 10 years.

Interandes, a Swiss-Peruvian engineering consultancy specialising in Andean development projects, believes that "legal coca is the best substitute for illegal coca". Under the Interandes scheme, the state would purchase coca leaf from growers for an interim period at prices competing with those paid by drugs traffickers. While coca is gradually substituted with alternative crops the leaf could be destroyed or used in tea bags.

But the tea-bag option will lie ultimately with the UN, to whom Peru, together with Bolivia, is likely to present its proposals before the end of the year.

Passage of bank reform legislation faces delay

By Peter Riddell

LEGISLATION to reform the US banking structure ran into squalls in Congress yesterday, threatening to delay its passage this year.

The Bush administration had been pressing for early action as it had thought the insurance fund guaranteeing bank deposits would run out of money in autumn. However, Mr Nicholas Brady, treasury secretary, admitted yesterday the fund should not now be insolvent during this calendar year.

In the Senate, a planned drafting session by the banking committee was held up by the objections of some Republicans to proceeding so rapidly with such a complicated measure.

An agreement could still be worked out to allow the committee to meet before the Senate starts its August recess in a few days' time. But delaying committee action until September could affect the chances of passing a comprehensive measure this year.

Senator Alfonse d'Amato from New York described the draft legislation as too complicated to be rushed on.

On the House side, where the banking committee approved its version a month ago, Mr John Dingell, chairman of the energy and commerce committee, underlined his opposition to proposals permitting commercial banks to expand into securities and insurance activities, and commercial businesses to own banks.

During a hearing yesterday Mr Dingell said "the corporate cemetery" is littered with companies that failed because they were involved in activities unrelated to their successful core businesses.

He cited Citicorp which, he said, "lost its shirt" in the securities business overseas. He described the US's largest banking group as struggling to survive and said it was "technically insolvent".

Instead of legislation changing the current laws to expand bank powers, Mr Dingell preferred step-by-step initiatives by regulators to roll back some of the restrictions on bank activities.

US black rights group opposes black judge

By Peter Riddell, US Editor, in Washington

THE already controversial nomination of Judge Clarence Thomas, a prominent black conservative, to the US Supreme Court has run into further trouble following yesterday's public opposition by the National Association for the Advancement of Coloured People, the largest civil rights organisation in the US.

The odds are still that Judge Thomas will be confirmed, but the NAACP's decision will increase pressure on Democrats to oppose him when the Senate judiciary committee considers the nomination in September.

There has been considerable agonising within the NAACP about whether to oppose a black nominee. Mr William Gibson, chairman of its board of directors, said yesterday that Judge Thomas had inconsistent views on civil rights while his opposition to affirmative action was "hostile to the best interests of black people" and "reactionary."

"We have concluded that Judge Thomas' confirmation would be inimical to the best interests of African-Americans. While we appreciate the fact that Judge Thomas came up in the school of hard knocks and pulled himself up by his own bootstraps, our concern is for the millions of blacks who have no access to the bootstraps."

The NAACP believes the seat on the Supreme Court – left vacant by the retirement of Justice Thurgood Marshall, a leading black liberal – should go to an African-American. The group would, he said, "continue to fight until an appropriate replacement who embodies the view of the majority of black Americans is nominated and confirmed."

Several women's rights and liberal groups have already come out in opposition to the Thomas nomination, and the NAACP's announcement may be taken as a lead by other organisations.

Brazilian police launch big anti-drug operation

By Victoria Griffiths in São Paulo

BRAZIL'S federal police have launched a big anti-drug operation in a bid to break the influence of the Colombian-based Medellín and Cali drug cartels in the Amazonian state of Rondonia.

Three federal representatives from Rondonia are under investigation for alleged links to cocaine trafficking. One congressman, Mr Jabes Rabelo, testified yesterday before the congressional commission on narcotics traffic regarding his alleged connection with the Cali drug barons.

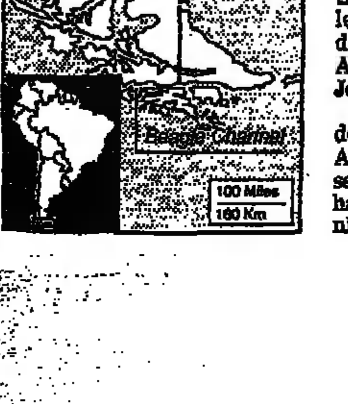
Last month Mr Rabelo's brother, Abidiel, was arrested in São Paulo on charges of possessing half a tonne of cocaine. He was said to have been using false identification signed by his brother.

The other two congressmen implicated in the scandal are Mr Mauricio Calixto, allegedly a member of the Medellín organisation, and Mr Nobel Moura, allegedly a member of the Cali clan. The Colombian cartels are believed to have relocated much of their operations to Brazil.

The three congressmen were denounced by Ms Raquel Candido, a fellow-Rondonian representative, who is under police protection after she was physically attacked by Mr Moura on the floor of Congress as she made a speech denouncing drug activities in Rondonia.

The federal police have also begun to evacuate 9,000 independent gold and tin miners from Rondonia. The miners are suspected of laundering money for the drug cartels.

The authorities believe Rondonia is the centre of the cocaine trade in Brazil. The state, which has already earned the nickname of "the Brazilian Colombia," shares an 800-mile border with Bolivia.



Aylwin and Menem to sign border accord

PRESIDENT Patricio Aylwin of Chile arrives in Buenos Aires today for a 48-hour visit being billed as an historic reconciliation between the democratic leaders of two countries divided by more than the Andes mountain range, writes John Barham in Buenos Aires.

Tomorrow Argentina's President Carlos Menem and Mr Aylwin are to sign an accord settling 23 border disputes that have soured relations since the nineteenth century. Argentina has long suspected Chile of coveting Patagonia and the two countries almost went to war in the 1970s and 1980s over the control of the Beagle Channel at the tip of the continent.

The last remaining significant border dispute – over a Patagonian lake – is expected to be referred to mediation by the Organisation of American States.

Ending the border disputes does more than eliminate a source of tensions between the two countries. Mr Aylwin said in an interview that "the definitive establishment of the border is a guarantee of peace because it eliminates any pretext [for conflict] by the armed forces of either side."

Both countries' armed forces often cite the military "threat" posed by the other to justify bigger defence budgets or a larger role in domestic politics.

Trade and economic topics are likely to predominate in meetings between the presidents and their aides.

Chile, Latin America's free-market trailblazer, has avoided closer trade links with the unstable economies of Argentina, Brazil, Paraguay and Uruguay, which plan to form a common market in 1995.

However, Buenos Aires believes Chile will be attracted to regional integration as Argentina and then Brazil consolidate their orthodox economic reforms.

S Korea suffers big trade deficit

By John Ridding in Seoul

SOUTH KOREA suffered a current account deficit of \$5.84bn (£3.47bn) in the first six months of this year, the worst half-year figures ever recorded, the Bank of Korea said yesterday.

The central bank said that the deficit, prompted by sharply increased imports from Japan and the US and relatively sluggish exports, will further deteriorate before improving in the third quarter.

It forecasts a deficit of between \$3.5bn and \$4bn for the year, a sharp increase from beginning-of-year forecasts of a \$2bn shortfall.

But inflation figures for July, also published yesterday, provided some good economic news for the government. According to the Economic Planning Board, the top economics ministry, the consumer price index rose by just 0.4 per cent in July.

The increase was the lowest monthly rise so far this year and means that the government may now be able to achieve its annual target of single-digit price rises. For the first seven months the consumer price index has risen by 7 per cent, down from the 7.8 per cent rise recorded in the same period last year.

In the first half of the year, according to the Ministry of Trade and Industry, South Korea's merchandise trade deficit widened to \$5.08bn. This compares with \$1.35bn in the same period last year and \$5bn in 1980, the previous worst first-half performance.

Exports during the period totalled \$32.99bn, an increase of 12.9 per cent from a year ago, while imports rose by 24.5 per cent to \$38.08bn.

Trade with both the US and Japan suffered record deficits in the first half. South Korea suffered a shortfall of \$876m in its trade with the US, its single largest trading partner, with which it has traditionally achieved trade surpluses. With Japan the deficit in the first six months amounted to \$4.58bn.

By product, the strongest gains in exports were achieved in the shipbuilding and vehicle industries.

Malaysian land law approved

MALAYSIA'S parliament has approved a law letting the government acquire for development land belonging to individuals, Reuter reports from Kuala Lumpur. Opponents say the bill could allow the Malay-dominated government to seize land owned by ethnic Chinese, who control the economy.

Parliament voted 99-25 to pass the Land Acquisition (Amendment) Bill, which lets state governments acquire land for purposes "beneficial to Malaysia's development".

China flood aid

The UN has decided to use most of the \$7.3m international aid to flood-stricken China to provide temporary shelters, it said yesterday, Reuter reports from Beijing.

"About 80 per cent of aid will be allocated to purchasing building materials for temporary shelter, 10 per cent for medicines and water purification facilities, and 10 per cent for contingency," it said.

Mongolian reforms

Mongolia's ruling Communist party, facing national economic collapse, has ended a conference cautiously endorsing capitalist-style reforms, Reuter reports from Ulan Bator. The party had agreed to continue free-market economic reforms, avoiding return to "bureaucratic socialism" and collapse into "wild capitalism".

Pakistan arms move

Pakistan has extended a deadline for surrendering illegal arms until August 30, Reuter reports from Karachi. Only 26 illegal weapons have been surrendered in one month.

Inkathagate lances boil left by era of apartheid

The slush fund scandal could have several beneficial effects for South Africa, writes **Patti Waldmeir**

OLD HABITS die hard in South Africa. The habits of secrecy and deceit, authoritarianism and abuse of power, bred by 43 years of uninterrupted National Party rule, will not easily be abandoned. The deep distrust which is the legacy of apartheid will not quickly be overcome.

That is the sober lesson of the past fortnight, which has seen the South African government thrown into crisis over revelations that it secretly funded the Zulu Inkatha movement. Government officials lied about this policy; their untruths have cast doubt on denials that Pretoria has been involved in far more nefarious deeds, including security force violence against political opponents.

On Tuesday night, President F W de Klerk guaranteed that such abuse would end, and promised a new dawn of honesty, openness and accountability in government. Unfortunately, he has forfeited his automatic right to be believed.

It was a confident and persuasive performance. But the president volunteered almost no details of secret projects beyond those already unearthed by the press; he did not admit that wrong had been done, but continued to defend what many consider indefensible; he insisted that he did not know of a policy which contributed to the rivalry which has left thousands dead in black townships.

In the circumstances, there was probably little else he could have done but pledge himself to future propriety – and hope that no further misdeeds are revealed to undermine the edifice of trust he is struggling to rebuild.

That trust will not easily be restored, as callers to a Johannesburg radio station made clear immediately after Mr de Klerk's televised address to the nation. "I feel so disappointed," said Esther from Soweto, with real bitterness in her voice. "I trusted De Klerk," she complained, adding "he's worse than Verwoerd (Hendrik, the architect of apartheid) – at least Verwoerd was open, you knew he was against the black man."

That is strong language about a man who has nearly abolished apartheid and brought blacks to the brink of political power almost single-handedly. But every black caller to the station, Radio 702, expressed a similar sentiment. Black South Africa has been left with no illusions about Mr de Klerk's intentions: he is a statesman, certainly; but ultimately he is a politician seeking to protect the interests of his constituency.

The recognition of that reality could well benefit negotiations: "What did they expect him to do, hand over the keys to the Union Buildings (the seat of power) and ride off into the sunset?" asks one exasperated political commentator who thinks the government's opponents were naive to ignore the demands of realpolitik.

Indeed, the crisis could have several beneficial effects. Not least, it has proved a sobering experience for the National Party, which had grown arrogant after 18 months spent running political rings around the disorganised and fractious ANC.

By substantially weakening Chief Mangosuthu Buthelezi (who risks being branded a stooge because his party was funded by Pretoria), the scandal has cast doubt on the prospects for a so-called Christian Democrat Alliance, built around the poles of Zulu and Afrikaner nationalism; many in the National Party believed such an alliance could win non-racial elections, and cut the ANC out of power. This now looks unrealistic.

Even more importantly, Mr de Klerk has removed from power two ministers who – by neglect or by design – blocked progress to a new South Africa. Mr Adriaan Vlok, who was demoted from the law and order ministry, and Gen Magnus Malan, formerly minister of defence, jointly presided over an era of death squad killings, assassination attacks in neighbouring territories, and the detention of 30,000 political activists.

There is a weight of circumstantial evidence to suggest that under their leadership, the police and army instigated – or even participated in – violence between Inkatha and the ANC.

Doubts remain over whether Mr Roelf Meyer, 44 – urbane and liberal – will be tough or shrewd enough to control the fearsome National Intelligence Service in his new post as Minister of Defence.

The promised commission of inquiry into violence could also do much to clear the air, especially as Mr de Klerk has said its composition would be agreed with the ANC and other opposition groups. But past commissions have failed to appease the opposition; they have proved either unable or unwilling to carry out their task impartially. And in a country where, in the words of one commentator "the police have a record of dumping bodies in the veld", it will take rare courage to testify against the security forces.

Perhaps the most important effect of the crisis will be to force the issue of an interim government. For if the ANC does not trust the government to avoid abusing its monopoly of power, the solution is to put mechanisms in place which will make abuse impossible – or at least easily detectable. The government is offering the ANC and other groups places in cabinet, and may offer appointments to the security services as well. Pretoria knows that constitutional negotiations cannot succeed if the government tries to be both player and referee.

But any such arrangements must be agreed through negotiation at a proposed multi-party conference. Both sides say the scandal has demonstrated the need to proceed swiftly to the table. Privately, ANC officials say that almost all obstacles to the talks have now been cleared away: the government has agreed to solve the problem of remaining political prisoners in the nominally independent homeland of Bophuthatswana, and a joint ANC-Inkatha-government-church committee on violence has agreed in principle a code of conduct for political parties and the police. Still, the ground must be prepared carefully for the talks, which will probably begin only at year-end or early next year. Overall, "Inkathagate" was an opportunity to lance the boil left by decades of apartheid. The operation is not yet complete, but at least it has begun.

S African miners exchange higher pay for better union rights

By Philip Gawith in Johannesburg

SOUTH African miners yesterday accepted their lowest wage increase since their negotiating rights were recognised in 1983, but the National Union of Mineworkers has gained improved workplace rights.

Workers at two mining houses agreed to straight pay increases starting at 6.5 per cent, the South African Chamber of Mines said. Employees at four other mining houses agreed to wage increases linked to the mines' profits. The profit-linked wage offer includes a basic 5 per cent increase on group rates and creates the opportunity for miners to receive bonuses tied to the price of gold, the Chamber of Mines said.

Concluding their annual wage negotiations, both parties stressed that the agreement, a high-water mark in industry realism, should be seen against the background of the exceptionally difficult circumstances in the gold industry.

The NUM has suspended for 1991 its policy of seeking a uniform national wage policy across the industry because of the industry's weakened condition.

According to NUM calculations the average wage increase is about 6 per cent, well below inflation, which is running at 15 per cent. The agreement covers 180,000 NUM members directly, but most of it is extended to all of the 500,000 miners employed by members of the Chamber.

Insofar as gold mines are concerned, four of the mining groups – Anglo American, Genmin, JCI and Rand Mines – have made profit-linked wage offers. The trigger at which their bonus linked to the price of gold becomes operative is an average monthly gold price above R33,750 per kg (roughly \$365/oz at current rand/dollar exchange rates).

The maximum bonus which can be paid is 7 per cent. The bonus scheme does not apply to "sick" mines – those where less than 5 per cent in every Rand of gold sold is profit, after deducting capital expenditure.

Gold Fields' mines and Hartebeestfontein in the Anglovaal stable will be paying straight wage increases of 6-9 per cent. Chamber collieries, whose financial position is better than in the gold industry, have made offers of 6.5- 19.1 per cent.

What the NUM lost in terms of wage increases was made up in part through significant gains in terms of union rights. These include the right of reasonable access to mine property for union officials.

MADAGASCAR'S opposition stepped up the pressure on President Didier Ratsiraka yesterday, occupying another government ministry building in the capital. For the past seven weeks demonstrators have been taking to the streets of the island's capital, Antananarivo, (above) and other centres calling on the president to resign.

After yesterday's rally thousands of protesters marched in orderly silence to occupy the Ministry of Higher Education, the eighth ministry building to be occupied. The buildings are empty because of a three-week civil servants' strike.

Despite a state of emergency imposed on the capital last week, security forces have kept a low profile.

The opposition have formed a shadow government led by Mr Jean Rakotoharison, a retired general.

Mr Ratsiraka dismissed his government at the weekend and earlier this week appealed for opposition leaders to come forward to discuss forming a new government, as well as constitutional and electoral reforms. But the president, who took power at the head of a ruling military junta in 1975, said he was not prepared to step down.

Saddam to recast his ruling party

By Lamis Andoni in Baghdad

PRESIDENT Saddam Hussein has launched a broad restructuring of his ruling Ba'ath party in an effort to secure his power base following Iraq's military defeat and the rebellions by the Kurds and Shias that followed.

The process involves holding party elections at all levels, the first since 1979, organisational reforms and a programme to win over the younger generation which had been alienated by years of political suppression and a decade of almost continuous war.

So far the elections appear to have been freer than expected and according to Ba'athist sources some senior government officials, including Mr Mohammed Hamadi, the information minister, have been defeated. This is seen as confirmation of the big gap between the party base and senior government officials.

The elections are not expected to bring about a radical change in the upper hierarchy but some members hope that the results will pave the way for the democratisation of the party and the system.

The trend towards greater democracy, which includes a commitment to pan-Arab nationalism, is said to be prevailing in elections across the country. Some party veterans believe that the elections provide a chance to rid the organisation of bureaucracy, opportunism and nepotism.

Party membership is believed to exceed 1.5m. but, as many Ba'athists concede, membership had become a passport, if not a prerequisite, for job promotion, admission to universities and sometimes for survival. Furthermore the growth of the party apparatus has been mostly confined to the security and the army at the expense of the political organisation.

Senior Ba'athist officials admit that fear of security retaliation and the absence of political freedom had paralysed the ability of local party leaders to take initiatives or voice constructive criticism.

The party's weakness was exposed during the Gulf war but showed up most strongly with the inability of local leaders to deal with the Kurdish rebellion in the north and the Shia uprising in the south.

At the same time, some analysts believe that the reprisals carried out by rebels against thousands of members, particularly in the south, has provided a new impetus to rebuild the party and preserve the system.

"Many party members now feel that their fate is linked to the continuity of the system," said one veteran Ba'athist.

Australian inter-state barriers to go

By Emilia Tagaza in Canberra

AUSTRALIA'S federal government and state premiers agreed yesterday to dismantle barriers that have restricted inter-state movement of goods and labour for almost a century.

Following the agreement the Canberra government indicated that it would devolve more taxation powers to state governments.

Mr John Kerin, federal treasurer, said it was inefficient for both federal and state governments to be collecting the same taxes and it would be sensible to give the states responsibility for collecting some excise taxes.

The extent of the transfer of powers will be finally decided in November at a special meeting between state and federal governments.

State premiers declared agreement in principle on mutual recognition of standards on products and occupations. At present, non-tariff barriers are imposed on products from other states. Certification requirements on professionals also differ among the states.

The reforms were first mooted late last year by Mr Bob Hawke, the prime minister, who said that without such changes, the European market, consisting of many different countries, would be a more unified market than Australia.

The state heads have agreed to establish a National Rail Corporation to standardise rail tracks, signals and industrial relations, and become the sole marketing authority for all inter-state rail freight services by next year.

They announced the establishment of a National Road Transport Commission to force truck companies to pay their fair share of road damage and to help truckers with one set of licensing standards across the country.

A national council will oversee electricity distribution and allow New South Wales, the most efficient producer of power, to sell its power more effectively in other states.

NZ reserve bank praises fiscal policy

By Terry Hall and Reuters in Wellington

MR Don Brash, governor of New Zealand's reserve bank, yesterday said that Monday's budget would tackle the fiscal deficit and should allow the country's interest rates to fall.

The budget of Ms Ruth Richardson, finance minister, sharply cut government spending plans and attacked the social welfare system in what she said was an attempt to end years of overspending.

After Mr Brash's statement, the Bank of New Zealand said it would cut its base lending rate to 13.25 from 14 per cent, with effect from August 19. Mr Lindsay Pyne, managing director, said: "Like its competitors, the BNZ awaited the budget to assess whether the recent fall in interest rates could be sustained.

"Our assessment is that the budget is fiscally responsible and that because of this, wholesale interest rates will continue to trend down."

Mr Brash said that after the budget the reserve bank saw no reason to prevent the interest rate yield curve going positive – with short-term rates below long-term rates – "provided that overall monetary conditions remained consistent with the achievement and maintenance of price stability."

"Certainly there has been a major fall in wholesale rates already, in anticipation of a good budget, but in our judgment the budget does leave scope for further reductions in wholesale rates over the next few weeks and months," Mr Brash said.

The government said that one-off budget changes would boost consumer prices by 1.15 percentage points, mostly in the year to June 1992. Inflation in the year to June was 2.8 per cent.

Mr Brash said: "Fiscal sustainability will help build confidence in the ability of monetary policy to achieve and maintain stable prices."

Although various price rises and user-pays charges will boost the consumer price index, the total impact will be spread over at least two years and looks likely to be in accordance with most expectations, Mr Brash added.

He said that the reserve bank would focus on underlying inflation, which excluded one-off impacts.

"Inflation has fallen considerably, the outlook for achieving price stability looks promising and the government has delivered a budget which removes concerns that fiscal policy may have been on an unsustainable path."

Monsoon failure threatens harvest prospects in India

By KK Sharma in New Delhi

INDIA'S growth prospects for the 1991-92 financial year, when sweeping economic reforms will be implemented, could be seriously affected by a drought in key states in the north.

The ministry of finance had forecast a growth rate of 4 per cent in gross domestic product and an inflation rate of 9 to 10 per cent in the year.

It had been assumed that the country would have normal monsoon rains on which agricultural production – mostly from the north and still the mainstay of the economy – is heavily dependent.

While the monsoon has caused floods in other parts of the country, and hundreds of villagers are feared to have drowned, the drought in the north, India's bread bowl, is causing serious infrastructure problems for industry which relies for 30 per cent of its electricity supplies on hydro-electric stations which need the monsoon rains to fill their reservoirs.

It is unlikely that the record foodgrain production of 170.6m tonnes in 1990-91 will be repeated this year. But three good agricultural years have enabled the government to build up stocks of more than 20m tonnes.

Burma's rulers arrest Moslems

BURMA'S military rulers have arrested 466 Moslems in their latest crackdown on any signs of opposition, a Moslem source said yesterday, Reuter reports from Mae Sot, Thailand.

He said the Burmese army had rounded up 186 Moslem Arakans from Maung Daw township and 280 from Sittwe town, both near the Bangladesh border, on July 23.

He had then travelled from Arakan state in western Burma to an anti-government centre near the Thai town of Mae Sot on the border with Burma.

The Burmese army accused the people of both Maung Daw and Sittwe of supporting the Arakan Rohingya Islamic Front (ARIF), the source said.

Israel's Soviet immigration slips

By Victor Mallet in Jerusalem

THE NUMBER of Soviet Jews emigrating to Israel fell sharply in July to about 10,000 as new Soviet passport regulations and concerns about high unemployment in Israel took their toll.

Israeli officials have been forced to reduce their estimate for Soviet immigrants in 1991 to 225,000 from the 300,000 they hoped for at the start of the year; 187,000 arrived in 1990.

The number of last month's arrivals was below average and less than half the number in June, when Soviet Jews rushed to beat the introduction of a Soviet law requiring emigrants to obtain passports before leaving the country.

However, the Jewish Agency, which is responsible for organising immigration, said yesterday that the cut in July was less than expected because the Soviet authorities had done everything in their power to issue passports quickly.

"There is no substantial change in the desire of Russian Jews to come to Israel," said Mr Gad Ben Ari. "The only difference is in how long it will take them to come to Israel."

Mr Yitzhak Peretz, Absorption Minister, said: "These figures show that fears that *aliyah* [immigration] would stop are baseless."

Mr Ben Ari said some Soviet Jews were taking a more calculated view about when to emigrate now that fears of pogroms in the Soviet Union had subsided. In Israel, a third of the immigrants are still without work, while few of those who do have jobs are working in their chosen professions.

Israelis generally welcome Soviet Jewish immigration despite the strains on jobs and housing, because they believe the influx helps them to attain the "critical mass" they need for survival as a nation in the Middle East. The Jewish Agency is hoping the number of immigrants from the Soviet Union will eventually reach 1.5m, which compares with Israel's present total population of less than 5m.

President Aquino gives Imelda the choice between exile and jail

Philippines lifts ban on return of the Marcos family

THE Philippines yesterday lifted its ban on the exiled former first lady, Mrs Imelda Marcos and her family, returning home, but said that she would be arrested when she did, Reuter reports from Manila.

The presidential palace, announcing the decision, said the body of the late president Ferdinand Marcos would still not be allowed back.

It also warned extremists against using Mrs Marcos's return to incite violence. She has lived in exile in the US since she and her husband were overthrown in a popular revolt in 1986.

She wept with joy in New York on hearing the news and declared "her prayers were answered", her lawyer said.

President Corazon Aquino's government has accused the Marcos family and its business associates of stealing up to \$10bn (£6bn) from the economy during 20 years in power.

Mrs Aquino lifted the ban so that Mrs Marcos, 62, could stand trial in her homeland, Mr Frank Drilon, Mrs Aquino's executive secretary, said on national television. Marcos's three children and her grandchildren would also be allowed to return.

"This action is being undertaken ... in the hope that with the return and prosecution of Imelda Marcos, the Philippines will be ridding itself finally of the remaining ghosts of the dictatorship," Mr Drilon said. The government would start filing tax fraud and corruption charges against Mrs Marcos and her children, he said.

The return of a woman who, with her husband, ruled the country with an iron fist could pose massive security problems for the government. Mr Renato de Villa, the defence minister, hinted that Mrs Marcos could be a target of assassination. "Her safety is the concern of the government," Mr de Villa said in a radio interview. "We have to think about her security in the sense that she could be a victim of trouble."

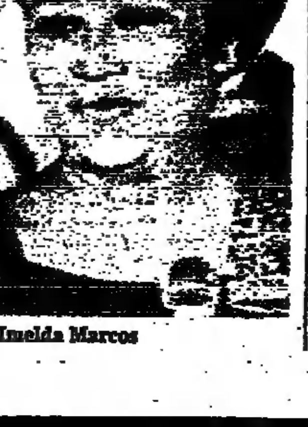
Mr Drilon, addressing die-hard supporters of the Marcos regime and army rebels who have tried to overthrow Mrs Aquino in six coup attempts, warned extremists against fomenting violence. "We are warning any group that may want to use her return for political purposes against creating disturbances or starting activities intended to disturb the stability of the country."

Once back in the Philippines, the Marcoses will be barred from leaving to ensure their presence at the trial, he said. Mrs Marcos's joy was tempered after she heard of the ban on her husband's remains, a move she said was "unbelievable and cruel".

Mrs Marcos, who denies plundering her country, was acquitted by a New York jury last year of racketeering charges arising from the alleged theft of millions of dollars from the Philippines treasury.

Manila believed it could handle security problems arising from the return of the Marcos family but "the matter of the corpse ... can continue to be used for political purposes," Mr Drilon said. Mrs Marcos could run for president in the 1992 elections if she was qualified, he said.

The filing of charges against Mrs Marcos would not disqualify her from running for president, though conviction would, legal experts said.



Imelda Marcos

INVASION OF KUWAIT: ONE YEAR ON

Uneasy sits the crown on unrepentant Saddam

One year ago in the early hours of August 2, President Saddam Hussein of Iraq sent his troops into Kuwait. Their mission was to annexe the tiny emirate, to create Iraq's 19th province. The invasion unleashed the biggest allied military operation since the Second World War. Financial Times reporters look at the region one year on.

ONE year on, President Saddam Hussein of Iraq, the man who unleashed his armed forces for the invasion of Kuwait, has apparently learned nothing at all. That, at least, is the impression he gives.

He gave a virtuoso performance just two weeks ago on July 17 to celebrate the 1968 coup d'état which laid the foundation for his rise to power. The unrepentant president first praised the soldiers he sent to fight and die, both against Iran between 1980 and 1988 and against the US-led multinational alliance in the "Mother of Battles" (he still calls it by that name) which ended on February 28 this year.

He went on to say his Baath Party was the latest standard-bearer of Islam (ignoring the party's secular ideology) and to blame Zionists and colonialists for Iraq's problems (forgetting to mention the rashness of his decision to invade Kuwait and betray his Arab allies).

"The treacherous 30-country aggression against Iraq on January 17 1991, was a battle which in terms of reality and results was one between good and faith on one side, and evil and aggression on the other," he said.

"The villains... thought that they could destroy manhood by destroying childhood; that they could close the doors to the future by destroying the foundations of the material construction of the present; that they could remove faith from hearts by stripping markets of goods; and that they could terminate principles by dividing ranks."

President Saddam did not forget to remind his listeners the country called Iraq was a centre of civilisation 6,000 years ago, and that it was now moving towards "the principles of party pluralism".

His speech was remarkable for containing the same themes he was expounding before he invaded Kuwait in August last year. Here was a man, responsible for one of the worst disasters in military history, talking to his people as if nothing had happened.

There was a brief period in March, just after the war, when the Kurds in northern Iraq and the Shia Moslems in the south rose up against him and butchered Baath party officials. President Saddam faltered and failed to appear in public. Visitors to Baghdad reported that junior officials who would once have hesitated to criticise the government over a family meal were now openly contemptuous of Mr Saddam and his followers even when talking to strangers.

The fact that he crushed that rebellion, survived and prospered is a testament not to his popularity – although neither the western powers nor the privileged Sunni Moslems of central Iraq welcomed the prospect of a fragmented Iraq or of the Shia majority ruling the country – but to the brutal effectiveness of his regime's internal security services.

Having failed either to keep Kuwait and its oil wealth or to overthrow President Saddam, the Iraqi people are now wearily getting on with the business of living. It was hard enough before the invasion, and men used to complain that they did not have enough money to get married; now economic sanctions have caused widespread shortages and rampant inflation, and cholera outbreaks have been reported.

Even as the evidence emerges day by day of Iraqi weapons programmes (and of Iraqi lies about those programmes), President Saddam appears to have put his enemies abroad in a diplomatic quandary. The Iraqi leader argues that the country needs to sell oil to feed its children, while the west struggles to think of a method of feeding the children without supporting the regime.

He points out to sympathetic Arabs that intransigent Israel is allowed to get away with flouting UN resolutions while Arab states are not, leaving President Bush casting around for allies who might support further air strikes against Iraqi military targets.

Mr Saddam can nourish the idea that squeezing Iraq too severely will create the kind of bitterness which allowed Nazi Germany to emerge from the aftermath of the First World War. Fugitive Shias, meanwhile, are camped out in the marshes, fearful of reprisals after their failed uprising, while the Kurds who embarked on negotiations for autonomy when Mr Saddam was weak now find him less willing to compromise.

None of this can disguise the fact that the Iraqi regime has been weakened and isolated by the war.

Mr Saddam has the same strengths as before – the ability to survive his own mistakes and the ability to appeal to Palestinians, Algerians and other resentful Arabs who do not have to endure his authoritarian rule.

He also has the same weaknesses, including an obsession with his own ambitions and an inability to envisage Iraq becoming great through the peaceful exploitation of its substantial natural resources rather than by military might.

Above all, Mr Saddam is so anxious not to be overthrown that he is liable to kill his most successful generals, and he has instilled so much fear into his underlings that they dare not tell him when things are going badly.

Victor Mallet

VIEW FROM WASHINGTON

The aura of victory must be preserved

FOR President George Bush and most Americans, the Gulf war remains a victory to be celebrated – barely tarnished by the continuing problems with Iraq and the so far disappointed hopes of creating a new Gulf security structure.

The proportion of the American public considering the war to be "a great victory" has declined from the very high levels of early March, but around 80 per cent still believe the US did "the right thing".

These findings condition how the Bush administration and the American public view the region in the aftermath of the war. For Mr Bush, facing re-election in November next year, the aura of victory must be preserved. Questions about whether the US gave sufficient warning to President Saddam Hussein ahead of the Iraqi invasion of Kuwait, and later ambiguities about the cost and consequences of the war, are pushed to one side.

The US and its coalition allies achieved the formal aim of United Nations resolutions in expelling Iraq from Kuwait and restoring its government. But there has been less success with two implicit US aims: removing Saddam from power

and destroying Iraq's capacity to develop weapons of mass destruction.

The US never had a clear view of what would happen after the war. During the war Mr Bush talked of the need to topple the Iraqi leader, even suggesting this would happen before long. But facing growing disorder in Iraq itself after the recapture of Kuwait, Mr Bush was aware that there was neither international nor domestic support for further fighting. Hence the US decided not to intervene in the short-lived Iraqi civil war in March and April. Only appeals from Britain and other European allies and criticism at home over the plight of the Kurds led to the deployment of troops in northern Iraq.

Following the advice of its Saudi allies, the US's implied preference was for a military coup by the Sunni military leadership against Saddam. rather than a change in Iraq's political structure. This turned out to be a misjudgment. As Saddam has tightened his grip, the White House has dropped such predictions but still insists that sanctions cannot be lifted, and normal relations restored, until he goes.

The disclosure that Iraq has retained the potential to continue a nuclear weapons programme embarrassed Washington after the confident statements that bombing had destroyed this capacity. The US, and its British and French allies, have sought to keep up the pressure on Iraq to allow inspection of its nuclear facilities and to permit their destruction. The right to take military action has been asserted in warnings from Mr Bush.

Overall, however, the Gulf war has left the US in a much stronger position in the region. This is a reflection not only of the US success in pulling together a remarkably diverse coalition and producing a quick military victory but also of the determination of the Bush administration to induce Israel to attend a Middle East peace conference.

There is a widespread desire among Middle East states to have friendlier relations with the US, even among countries previously critical of Washington over its attitude towards Israel. There have even been signs of a thawing of the decade-old hostility between the US and Iran.

In January, the US relaxed its three-year-old ban on Iranian oil imports, but untilTehran uses its influence to secure the release of US hostages in Lebanon this improvement is likely to be limited.

The US has had a mixed time with its Arab allies in last winter's coalition. The main problem has been Kuwait itself, where the restored emir and his family have embarrassed Washington with their attitude to human rights and democratic aspirations.

The US has found Saudi Arabia supportive of some of its broader foreign policy goals – notably working towards a Middle East peace conference – but cautious about creating new regional security arrangements. Further sales of conventional arms to Gulf states to bolster their own defence capabilities have been proposed but Saudi Arabia has sought to play down any continuing presence of US troops in the region.

Regional efforts have been set back by tension between Egypt and Syria on the one hand and Kuwait and other Gulf states on the other over the balance of an Arab peace force. This has forced the US to retain an armoured brigade in Kuwait.

The US has had to come to terms with the slow-moving nature of Gulf politics which the 1990-91 crisis shook but did not fundamentally change. There are limits to how far the US can use its enhanced authority in the region.

Peter Riddell

GULF ECONOMIES

Rebuilding lures foreigners back

THE NORTHERN Gulf has seen its share of stampeding businessmen over the past year.

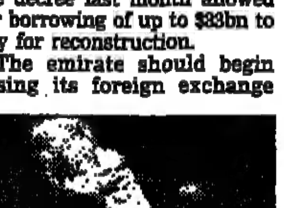
The droves in which they left soon after August 2 have been matched only by the droves returning, tempted by the promise of up to $20bn (£12bn) in reconstruction work in Kuwait alone.

That so many have come back testifies to the perennial attraction of an area which holds 66 per cent of the world's oil reserves and remains one of the world's biggest import and construction markets.

The immediate shock to most states has been the war's cost. Saudi Arabia paid $65bn to the US and others and Kuwait paid $13.5bn to the US and now requires large amounts for reconstruction. Both states are in the unusual position of needinglarge chunks of international lending.

Foreign bankers are not rushing in and Gulf governments will be forced to pay wider margins. As Kuwait's oil industry crawls back into production, the emirate is likely to be the biggest caller on the international market. An emirate decree last month allowed for borrowing of up to $33bn to pay for reconstruction.

The emirate should begin easing its foreign exchange



freeze by the end of the year, when oil exports could reach 400,000 b/d – compared with its pre-invasion figure of just over 1.5m b/d. The hard-won success of the oil firefighting teams, which have capped more than 250 of Kuwait's 800-plus damaged wells, already allows the country to pump enough for its domestic needs of 140,000 b/d.

Kuwait will not be the only big borrower. Saudi Arabia has borrowed $4.5bn from foreign banks since the war, along with $2.5bn from local institutions. Nor is this likely to be the end of it.

Ambitious plans to raise oil production capacity from its present 8.5m b/d to 10m b/d are expected to require spending of up to $15bn over the next four years, along with further investment of up to $10bn in downstream projects.

Further down the Gulf, Oman has also been sounding out the markets for $300m, to supplement domestic bond issues aimed at raising more than $1bn for its own industrialisation programme.

Money alone, however, will not suffice to put the Gulf economies back on an even keel. Restoring confidence will perhaps prove the greater task.

Bahrain, in particular, is still reeling from the drain of expatriate bankers and capital which greeted the Iraqi invasion and which left its offshore banking industry deeply retrenched and in disarray. In a move to restore foreign interest, the government last month took the almost unprecedented step in the Gulf of permitting foreign companies to set up majority-owned interests on the island.

The United Arab Emirates had been, until the BCCI scandal, one of the region's few winners. Increased oil revenues were outstripping the states' contribution to the allied war coffers.

However, the shutdown of BCCI, in which the Abu Dhabi ruling family has a 77 per cent stake, leaves the emirate facing billions of dollars in losses and compensation. It also puts paid to plans earlier this year to turn the Emirates into a new Gulf centre for offshore banking.

Mark Nicholson

POLITICS IN KUWAIT

Hopes of lighting a democratic beacon have faded fast

THE 300,000 KUWAITIS who endured occupation emerged from it at first with a defiant optimism believing their country would never be the same again.

This mood, amplified by newly confident opposition groups, was reassuring to the west, which believed the effort to return the ruling al-Sabah family to power might encourage it down the democratic road. But hopes that Kuwait will become a democratic beacon in the dynastic Gulf have had to be severely tempered.

As Kuwait City comes to resemble its pre-war self, so too does Kuwait's political topography. Moreover, the treatment of the country's large Palestinian population - which stands at just over 90,000 against 400,000 before the war - has added an unsightly stain on the country's image and tarnished the coalition's sense of victory.

But while the opposition, and influential quarters in the west, have been quick to identify the al-Sabah as the chief impediment to democratisation, the clamour for change in Kuwait itself has lessened.

Sheikh Jaber al-Sabah, the emir, was slow at first to respond to opposition calls to restore in full the 1961 constitution, parts of which he suspended in 1986 along with the full parliament. Nevertheless, by June he had promised full elections and a restoration of the constitution by October next year.

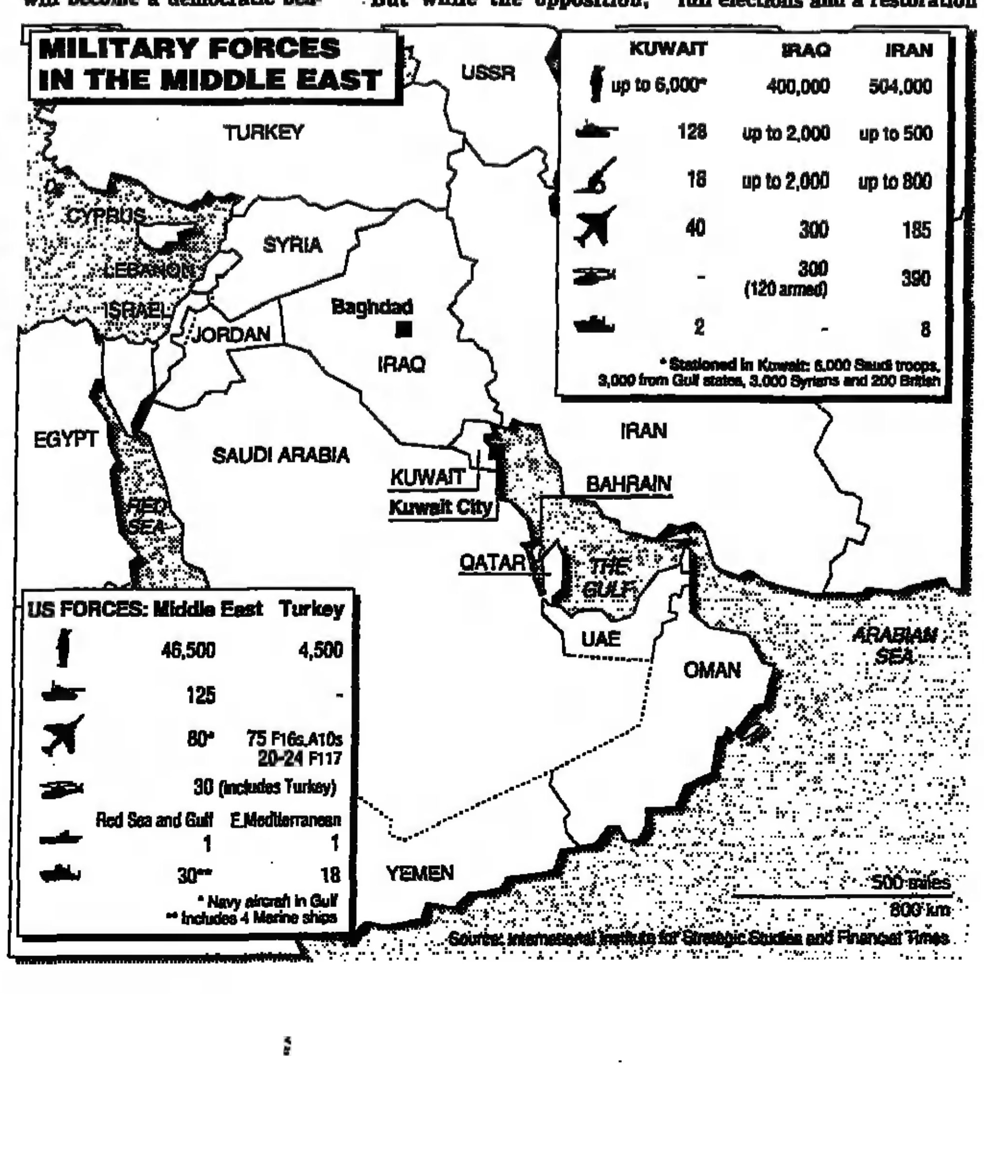
The seven main opposition factions - which have formed a co-ordinated working group embracing all from the liberal left to the rigidly Islamic - protest that elections should be called immediately and that the government is playing for time to gerrymander the poll. The emir's decision to reconvene the National Council, an interim assembly set up in April last year to quiet opposition demands for more democracy, was also greeted with cries it was unconstitutional and toothless.

But opposition rallies have drawn only hundreds on to the streets. The emir's commitment to set a date for elections, albeit more than a year from now, has gone a long way to defuse the cries for change.

Other concessions have also helped, such as an undertaking to consider ending the franchise to women and naturalised Kuwaitis. The government has also courted its own conservative constituency with the traditional Gulf rulers' resort to the cheque-book.

In the end, the extent of outright opposition to the al-Sabah rule may not prove an unmanageable threat to the family, which has shown itself determined not to cede any real executive power.

M.N



REGIONAL SECURITY

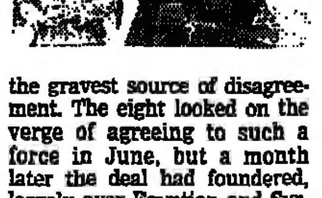
Fighting shy of joint force

NEXT MONTH, the foreign ministers of the six Gulf states, Egypt and Syria will gather to discuss the implementation of the Damascus declaration – the accord signed by the eight states in March which initially envisaged the formation of a joint Arab peace force to defend Kuwait.

When they meet, however, there will be no Arab peace force on Kuwait or any other Gulf soil. In part this is because the eight signatories have decided that the now diminished threat from Iraq can be contained without one – at least while the US keeps its F-16s parked on aircraft carriers in the region.

But their final failure to agree on this physical and symbolic embodiment of an Arab security arrangement for the Gulf indicates that, for all the eight countries' cries of unanimity and protestations that the Damascus declaration is alive and well, there remain unresolved questions about what such an arrangement might mean.

When the eight foreign ministers met last month in Kuwait to discuss the declaration Sheikh Salim al-Sabah al-Salim, Kuwait's foreign minister, declared that the eight countries' views on Gulf security were "identical". He was able to do so only because the eight had agreed to dispense with the Arab force, which was



the gravest source of disagreement. The eight looked on the verge of agreeing to such a force in June, but a month later the deal had foundered, largely over Egyptian and Syrian disapproval of Kuwait's preference for western guarantees for its security and the Gulf states' misgivings about the costs and feared social consequences of hosting contingents of non-Gulf troops.

The military component of the declaration now amounts to no more than the right of any signatory to call on military help from its fellows.

If Syrian, Egyptian and Saudi troops remain on Kuwaiti soil for the time being, this is largely as a result of bilateral undertakings outside the terms of the Damascus declaration.

All of the Gulf states meanwhile are pursuing further ambitious military procurement programmes and doing what they can to shore up their defences independently – with little to indicate these will have any sharper teeth than proved to be the case during the Iraqi invasiona year ago.

The Gulf states are no closer to taking their security effectively in their own hands than they were at the time of invasion. Should Mr Saddam Hussein, the Iraqi president, decide to repeat his adventure of last August - admittedly an unlikely prospect - only the remaining presence of US aircraft in and around the Gulf could deter him.

M.N

THE BCCI SHUTDOWN

COMPENSATION

Call for scheme to be extended to other countries

By Andrew Jack

TUESDAY'S surprise compensation offer for BCCI depositors in the UK has caused disgruntlement among individuals not covered by the proposal.

Those who held BCCI accounts in Scotland and the Isle of Man will be among those ineligible to claim. So will anyone who held deposits in any currency other than sterling.

In its offer of compensation in the High Court two days ago, the Abu Dhabi government recognised that there was a risk that its scheme would be viewed by other jurisdictions as discriminatory by favouring one national grouping.

However, it then dismissed the risk, saying the shareholders had considered the issue and decided the scheme met the concerns expressed by Mr Nicolas Browne-Wilkinson, the senior chancery judge.

Those excluded from the ruling were less sanguine. Mr Pierre Jaans, director of the Luxembourg Monetary Institute (LMI), called for a widening of the offer. "We welcome the fact the shareholders have made an advance for a deposit protection scheme in London," he said. "But this should be extended to BCCI's other locations."

Mr Michael Parkhurst, who had a large sum of money in BCCI in Gibraltar, said he was a British citizen and he felt compensation should extend to Gibraltar, which closed its branches in co-operation with the Bank of England. "I don't have a home, or any money and nobody gives a damn."

Others cast a note of caution for depositors in England and Wales. "There is a danger in assuming this crisis is over," said Mr Antony Gold, a solicitor at Alexander Tatham, the solicitors co-ordinating a national depositors' group. "There has just been an adjournment to see if restructuring can take place," he said. "There are an extraordinary series of difficulties to be overcome."

Mr Ernest Dartnell, a business consultant who had a "reasonably large sum" on account in Luxembourg, was calm. He said he had placed his money there when he was working overseas and was unsure whether he would receive compensation under the voluntary scheme since his deposit was in sterling.

"If I got nothing out I would hurt but I wouldn't scream," he said. "And if the Bank is restructured, I will certainly leave my money in."

TOUCHE ROSS

Abu Dhabi scheme under way

By Andrew Jack

DEPOSITORS with sterling accounts in English or Welsh branches of BCCI can expect to receive forms to claim for compensation under the Abu Dhabi government's scheme through the post by the beginning of next week at the latest.

Touche Ross, the provisional liquidator, is still preparing the form, which will ask depositors for details of their bank accounts and for some form of identification.

Under the Abu Dhabi compensation scheme, depositors will be eligible to receive 75 per cent of the value of their deposits, up to a maximum of £5,000. Those with non-sterling deposits, or with accounts outside England and Wales, are not entitled to any compensation under the scheme.

The London branch of the National Bank of Abu Dhabi has already received £50m for compensation payments to the 48,400 eligible depositors.

Anyone with difficulties in completing the forms can contact a Touche Ross helpline on 071-480 7766. The firm asks that depositors should not call until they have received the form, although anyone who is eligible and has not received one by the middle of next week should contact Touche Ross on the same number.

Touche Ross has posted cheques to BCCI employees for the balance of their salary for July. Their normal pay cheque will follow at the end of each month.

ARGENTINA

Police raid local branch

POLICE have raided BCCI's branch in Buenos Aires. The move was ordered by the judge handling a money-laundering case involving the sister-in-law of President Carlos Menem of Argentina.

Federal judge Maria Servini de Cubria is investigating an international money-laundering ring in which Mr Menem's sister-in-law, Ms Amira Yoma (left), and other former Peronist officials were alleged to have been involved.

According to witnesses' accounts in Argentine and Spanish courts, Ms Yoma, her former husband, Ibrahim al-Ibrahim, and Mr Menem's former campaign press director, Ms Mario Caserta, helped to transfer drug funds from the US to Argentina and Uruguay.

The judge declined to say whether the raid was linked to the money-laundering inquiry, a scandal that has harried the Peronist administration.

DEPOSITORS' PROTECTION SCHEME

Higher payouts loophole is closed

BRITAIN has closed a loophole in its bank deposit insurance scheme to prevent depositors with BCCI from manipulating their accounts to win a higher payout.

The Treasury said that from Tuesday, banking laws had been modified to ensure that BCCI depositors could not abuse the fund.

"This action is designed to prevent bank depositors with large deposits securing a higher level of compensation under the deposit protection scheme than parliament intended," the Treasury said.

The change in the law will ensure that depositors are eligible for only 75 per cent of their original deposit up to a maximum payout of £15,000.

The government is said to have learnt that some substantial depositors were trying to break up their accounts with BCCI through letters of assignment, splitting deposits into smaller tranches in the names of relatives or friends.

By breaking deposits into blocks of, say, £20,000, depositors could secure a far higher payout on money trapped in the closed bank.

Even though the bank was closed in the UK on July 5, it is still legally possible for a depositor to break up a deposit at any time before the bank is formally wound up.

That allows depositors to assign parts of their deposits to other people to benefit more from the scheme.

The Treasury order has now prevented that, but the position of depositors who have already assigned parts of their deposits before the order is unclear. The Bank said it would examine each case to see if there had been attempts to get round the terms of the scheme.

AGHA HASAN ABEDI

No query on extradition

MR Agha Hasan Abedi, the ailing founder of BCCI, will not be extradited to the US or any other country to face fraud and embezzlement charges, a government official in Karachi said yesterday.

The closure of BCCI's operations worldwide and the indictment of Agha Hasan Abedi were engineered by the West and Israel, said Mr Jam Sadiq, the highest elected official in Pakistan's Sindh Province, the country's financial hub.

A grand jury in New York on Monday indicted BCCI, four affiliates, Mr Abedi and former deputy Mr Swaleh Naqvi on charges of fraud, falsifying records and stealing.

Pakistan and the US have an extradition treaty but so far Washington has made no such request, Mr Sadiq said.

Mr Abedi retired from BCCI in September 1989 after having a heart transplant.

UK AUTHORITIES

Initiative starts to elude the regulators

By Richard Waters

THE UK authorities have lost the initiative this week in their actions against BCCI although regulatory and criminal action against the bank elsewhere has been stepped up.

On Tuesday, the Bank of England failed in its second attempt to have the bank wound up by the High Court. The day before, the Serious Fraud Office, which has mounted probably its biggest ever investigation in the BCCI case, saw criminal proceedings launched in the US which take the initiative away from its own inquiry.

The Bank of England had argued forcefully for the bank to be officially liquidated. Only that way could its UK depositors get the full benefit of the UK's statutory deposit protection scheme, it said.

Mr Brian Quinn, its head of banking supervision, said: "As a matter of public policy it is important that there should be an early winding-up and a full investigation of a company which has been run fraudulently."

One of the Bank's arguments had been that, even with a formal winding-up in place, it would still be possible for BCCI's majority shareholders to put together a restructuring of any parts of the bank that they wanted to save. That argument received short shrift from the court and from insolvency experts, who said that it was almost unknown for a company not to be liquidated once a winding up order had been approved.

In spite of the failure of the Bank's application, an earlier High Court order freezing BCCI assets and appointing provisional liquidators in the remains in force. Insolvency lawyers said that already meant that the Bank had fulfilled its regulatory objectives of protecting depositors. Also, the powers of provisional liquidators in the UK are as wide as those of full liquidators, suggesting that, there, much of the work that would go on under a formal winding-up was already in progress.

WORLD ROUND-UP

Local depositors in UAE may be compensated

THE UNITED Arab Emirates is considering compensating local depositors, the country's central bank said.

UAE bankers also said yesterday that they were cautiously considering taking over some regional BCCI operations.

Gulf bankers expect Abu Dhabi to continue to help bail out depositors, especially those with small accounts, but do not expect it to put more money into premature rescue operations.

The closure of BCCI has created hardship in the UAE economy because many traders, shippers, and businessmen have funds frozen in the bank. Bankers had expected that BCCI's 40 per cent-owned UAE subsidiary BCC (Emirates) might be used to rescue some of the regional BCCI business.

Bankers said other local banks, including Emirates Bank International, were interested in picking up some parts of BCCI, such as the Indian operations.

UK: The Abbey National bank may be called upon to make a contribution of up to £10m to depositors under the Depositors' Protection Scheme.

COLOMBIA: Representatives of Gilinsky Group, a Colombian company with interests in the financial, leather goods and food sectors, are negotiating to acquire BCCI's Colombian subsidiary in a deal that might be worth $13m (£7.7m).

ARGENTINA: The central bank has cancelled the operating licence of BCCI's local arm. Mr Manuel Domper, central bank director, said he was sure the central bank's board would allow BCCI's local representatives to wind up operations, sell assets and pay off creditors.

HONG KONG: The colony's government yesterday released a special report compiled by the banking commissioner for the governor, Sir David Wilson.

The government said the report, which contains confidential memos but little new information, showed that its handling of the case was correct. The government and the provisional liquidator are trying to find a buyer for the Hong Kong arm, a direct subsidiary of BCCI Holdings SA, and has not been implicated in the difficulties discovered elsewhere in the group.

WORLD TRADE NEWS

MFA extended for 17 months

By William Dullforce in Geneva

EXPORTING and importing countries yesterday agreed to extend the Multi-Fibre Arrangement (MFA) which governs world trade in textiles and clothing for 17 months until the end of 1992. It was due to expire at midnight yesterday.

The 11th hour agreement was reached after the US had abandoned its bid for a 29-month extension and after Pakistan and India announced they would not block the extension.

These two exporting countries had been holding out for a loosening of import restrictions despite repeated refusals by the US and the EC.

Under the MFA, importing countries negotiate import quotas bilaterally with Third World producers, to prevent disruption of their markets to the detriment of their own producers. MFA deals cover about 65 per cent of the $196bn annual world trade in textile products.

Governments have undertaken to negotiate in the Uruguay Round trade talks an agreement providing for the phasing out of the MFA and the application to textiles and clothing of the rules of the General Agreement on Tariffs and Trade (Gatt). Failure to complete the round on schedule last December left traders uncertain about the situation that would prevail, if the MFA expired yesterday.

Gatt's textiles committee said that the extension had been limited to just 17 months in the expectation that the results of the Uruguay Round would come into force immediately thereafter.

Extension of the MFA without improvements had not given the right signal to India at a time when it had just launched "root and branch reform" in its economic and trade policies, Mr Balkrishan Zutchi, Indian ambassador to Gatt, said.

Pakistan's ambassador, Mr Ahmed Kamal, criticised the importing countries' refusal to improve access to their markets or to loosen restrictions that had "turned the MFA into a semi-permanent instrument of (trade) protection".

By contrast, Mr Allan Nightingale, executive chairman of the UK Apparel, Knitting and Textiles Alliance, saw the extension as "good news for the textile and clothing industries throughout the world."

Political flak hits BAe sale to Iran

Scheherazade Daneshkhu on US motives for blocking aircraft deals

THE row that erupted last week between the British and US government over the export of six British Aerospace 146 airliners to Asseman Airlines, an internal Iranian carrier, underlines the political sensitivity of US-Iranian relations.

The American government said its decision not to grant a re-export licence to BAe for the aircraft, which contain US-made components, was taken because of Iran's failure to help win the release of American hostages held by pro-Iranian groups in Lebanon.

Flight to Iran postponed: A BAe-146 short-haul airliner

Last week, Mr Peter Lilley, the British trade and industry secretary, attacked the blocking of the sale as inconsistent, given the recent US approval for the export to Iran of similar aircraft by Fokker, the Dutch aircraft manufacturer.

The US element in the BAe aircraft is 16 per cent, only slightly higher than the 13 per cent contained in the Fokker F100s. Both have US avionics but the BAe-146 also has an American engine - the ALF502 - made by Textron Lycoming, a big US industrial and defence conglomerate.

Both types of aircraft exceed the 10 per cent of US-made components that US export control regulations demand as necessary for US re-export authorisation.

Iran was subjected to a trade embargo by the US after the storming of the American embassy in Tehran in 1979 by revolutionaries who took diplomats hostage.

Over the past year, however, there has been a thaw in US-Iran relations. President George Bush approved a decision last November to allow some imports of Iranian oil.

Payments go into a security account at the Hague to compensate US claimants for losses sustained after the revolution. Coastal Corporation and Mobil have since purchased Iranian oil. US trade figures show trade between Iran and the US standing at $160m (£95m) in 1990 compared with nil the two previous years.

The decision to bring up the hostage issue at this stage suggests that the US is playing a carrot and stick game with Iran in the hope that it will exert further pressure on the Lebanese groups holding six Americans hostage.

Iran remains on the State Department's list of six states that sponsor international terrorism. The others are Iraq, Syria, Libya, North Korea and Yemen. "We do not favour normal political, commercial and diplomatic relations with Iran until the hostages are free and it has ceased supporting terrorism," a State Department spokesman said last week. Nevertheless, the US has been diplomatically active with Syria in an attempt to forge a Arab-Israeli peace conference.

Iran's civilian air fleet comprises US Boeing and European Airbus airliners. Spare parts for the Boeings have been bought on the open market, mainly through third party countries. "It's quite easy," said a former manager of Iran Air. "You can buy US spare parts, despite the trade embargo, indirectly from countries such as Thailand."

Maintenance for Iran Air is carried out by the German carrier Lufthansa in Frankfurt. The Iranian government says that it is able to carry out repairs itself on JT9, JT3D and TF30 engines from Boeing 707s and 747s as well as engines on military aircraft.

On the military side, Iran has been able to obtain armaments despite the arms embargo. A report published in the Tehran daily, *Jomhuri Islami*, last year said that Iran spent just under $12bn on military purchases during the war. North Korea was the largest supplier, according to the report, with sales worth $2.4bn, followed by countries of the former Warsaw Pact, with $1.92bn, China with $1.8bn, Nato countries with $1.43 bn, other European countries with $1.75bn and Middle East and African countries with $790m. Argentina and Brazil are also thought to be involved with Iran on the military side.

Last year, the British aviation company, Martin Baker, admitted it had supplied Iran with spare parts for its US-made F-4 Phantom jets and F-5 Tigers since 1988, despite the arms embargo.

The war and the trade embargo as well as a shortage of spare cash have prevented Iran from buying civilian aircraft since the revolution.

Yet the country has now embarked on a reconstruction programme following the ceasefire with Iraq and it is looking to expand its fleet. The increase in population from 36m in 1979 to 56m has contributed to high demand for flights.

Mr Hassan Shafti, the managing-director of Iran Air, has said that the airline carried 500,000 more passengers in the first six months of 1990 compared with the same period the year before. "Iran Air flight hours increased by about 22 per cent in that period," he said in the daily, *Kayhan*.

The deal with the Netherlands to buy the 12 Fokker 100 airliners last year (against which BAe also competed) was the first significant purchase of civilian aircraft since 1979.

EC plans cut in oilseeds subsidy to comply with Gatt

THE European Commisson yesterday proposed terms for EC compliance with a Gatt ruling against its oilseeds subsidies which amount to a move against opponents of its plans to overhaul the Common Agricultural Policy (CAP), writes David Gardner in Brussels.

The proposal takes the trade dispute with the US over oilseeds off the boil. Because it makes it more likely that Brussels will get its radical CAP reform plans through the member states, it brightens prospects for a successful end to the Uruguay Round trade talks, which hinges on farm subsidy reductions. EC agriculture ministers have to decide on a new oilseeds regime before October 31.

It is unlikely they will produce an alternative to the Commission's compliance suggestions. But because the proposed new subsidy system for oilseeds is directly linked to plans to reform cereals subsidies – the heart of the CAP reform – ministers will find it difficult to avoid locking themselves into the grand design.

The 1990 Gatt ruling found EC subsidies for soyabeans, sunflowers and rapeseed amounted to more than the difference between Community and world market prices, and therefore discriminated against outside producers.

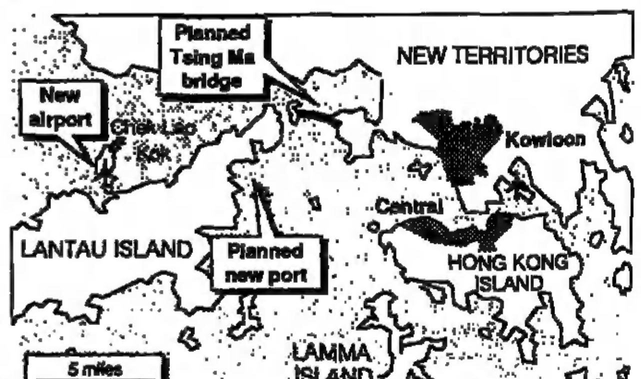
The US soya farmers lobby has kept the issue at the forefront of US-EC trade relations, and in April Washington told the Gatt that it would take unilateral action against the Community unless the oilseeds regime was changed immediately.

The proposals, to take effect from the 1992-93 farming year, would abolish subsidies paid through the processing industry and compensate farmers by paying them the world market price plus direct compensation for lost income. This is what the Commission wants to do with cereals, where it wants to slash prices to near world market levels and refund farmers directly for the difference. So correlated are the oilseeds and cereals regime that if farm ministers agree one set of proposals alone they risk plunging EC agriculture into chaos.

Hong Kong invites tenders for airport bridge contract

By Angus Foster in Hong Kong

HONG Kong yesterday invited tenders for the first major contract related to the colony's new airport plan, a 1,377m suspension bridge which will provide road and rail access to the new airport.



Five consortia have pre-qualified for the HK$6.39bn (£491m) contract and tenders are due by December 16. The tender period has been shortened to make up for time lost when the airport was in doubt because of disagreement between Britain and China, since resolved. The contract will be awarded early next year and work will start immediately. The bridge will take five years to build and is still due to be finished in time for the opening of the new airport in 1997.

Called the Tsing Ma bridge, it will link with a viaduct and another bridge to form the Lantau Fixed Crossing. The Tsing Ma bridge will have to withstand the region's frequent typhoons and will become the world's longest suspension bridge capable of carrying road and rail traffic. A HK$2.48bn contract for the viaduct and second bridge is due to go out to tender at the end of this month.

Consortia which are understood to have pre-qualified are; a British-Japanese group, Trafalgar Costain Mitsui; an all Japanese consortium called Nishimatsu; Hong Kong International Consortium, which includes Hochtief of Germany, Bouygues of France and American Bridge; and two consortia linking Hong Kong companies with either German or Japanese partners.

Some of the consortia are now looking to bring in new members from China following the agreement. Chinese companies are keen to become involved in the new airport projects and could carry out site formation and steel assembly work for the bridge.

MHI in Y10bn Iran tyre contract

By Robert Thomson in Tokyo

MITSUBISHI Heavy Industries (MHI), the Japanese heavy machinery maker, yesterday announced a Y10bn (£43m) tyre production plant order from an Iranian state-owned company, Kerman Tyre and Rubber Complex Co.

The contract, which comes as Japanese confidence is growing in trade with Iran, includes 39 tyre vulcanisers and 15 tyre making machines for a complex that will have the capacity to produce 500,000 tyres annually for cars, buses, and trucks.

MHI said that, with the assistance of Mitsubishi Corp, the trading house, it had obtained a letter of credit covering the entire cost of the contract, under which equipment will be delivered in July next year. The company will also send specialists to Iran to oversee the scheduled completion of the complex in March 1993.

Japanese companies had been wary of business with Iran following the decade of problems suffered by the Mitsui group in a $5bn petrochemical joint venture. Construction of the plant was disrupted by the Iranian Revolution, and the partly-completed complex was then badly damaged by Iraqi bombing in the Iran-Iraq war.

● Japan's Ministry of International Trade and Industry (Miti) paid Y77.7bn in trade insurance to Japanese investors in the joint venture yesterday, a MITI official said, Reuter reports from Tokyo.

It was the highest amount ever paid by MITI in trade insurance. Japan and Iran ended the partnership in February 1990.

ABB to build Dr20bn plant in Crete

By Kerin Hope in Athens

THE Greek Public Power Corporation (DEH) has signed a Dr20bn (£62m) contract with Asea Brown Boveri, Europe's largest electrical engineering group, to build a 132-megawatt power station on the island of Crete.

The turnkey project is for a combined-cycle plant including two gas turbines, two heat-recovery steam generators, and a steam turbine. It will be built beside an existing 101MW gas-turbine plant at Hania in western Crete.

The plant will be diesel-fuelled at first but will be able to switch to natural gas when a distribution network for Soviet natural gas, now beginning construction in northern Greece, is extended. The plant is to be completed in mid-1993, but a DEH official said that in order to meet increasing demand for electricity in Crete the first gas turbine would start operating early in 1992. Electricity consumption on the island is growing at 8 per cent annually, twice the rate in the rest of Greece, he said.

UK NEWS

Councils to compete for city funds

By Ian Hamilton Fazey

VIRTUALLY all government money for inner-city regeneration in England and Wales is to be opened to competitive bidding between cities and towns, Mr Michael Heseltine, the environment secretary, announced yesterday.

Over the next few years, less and less inner-city funding will be distributed according to formulae based on a variety of statistics.

To win a share of budgets worth hundreds of millions of pounds, cities will have to demonstrate partnership with the private sector and community support for regenerative projects. They will have to prove they need the money, specify what they will do with it, and make proposals to cut bureaucracy.

The shift in policy came as Mr Heseltine indicated the 11 cities and towns which will share £410m over the next five years under the experimental City Challenge scheme, on which the new policy is modelled.

He said: "This is about local opportunity. It is about encouraging local leaders to act in the widest interests of their communities and genuinely form partnerships with central government and the private sector."

Toyota aims for 90% European car content

By John Griffiths

TOYOTA is understood to have set a long-term goal of 90 per cent European content for its 200,000 cars-a-year plant due to go on stream at Burnaston, central England, in December next year.

This would require the construction of a transmission plant, as well as the £700m car facility at Burnaston and £140m engine plant due to go into production on Deeside, Scotland, next September.

The 90 per cent is well in excess of the formal 'local content' undertakings it has made publicly, of 60 per cent by August 1993 and 80 per cent two years later.

Last night Toyota would neither confirm nor deny that a transmission plant was under consideration.

The company, however, has previously indicated that the 80 per cent level could not be exceeded because the Burnaston project required gearboxes and some specialised engines to be imported.

The gearbox is one of the highest value components of the average car, typically accounting for around 8 per cent of the content value.

While it is known that Toyota intends to export a small proportion of Burnaston's production for sale in Japan, it is also beginning to emerging that the Deeside engine facility is likely to produce more engines than can be absorbed by the Burnaston plant alone.

The excess output of 1.6 litre and 1.8 litre engines is expected to go to the US and Canada, for fitment to North American-built Corolla models, and possibly to a Toyota assembly plant in Turkey.

Meanwhile, Toyota Motor Manufacturing of the UK has released more details of the 150 European component makers it has chosen to supply prototype parts for the Burnaston factory.

Around half are UK based, and include Lucas, GKN, Dunlop, Pilkington's Triplex subsidiary, BTR and Pirelli, whose Burton-on-Trent factory almost adjoins the Burnaston site.

The supplier developments came as the European Commission ordered Toyota to pay Derbyshire County Council £4.2m, following a Commission ruling that the car company received hidden subsidies when buying the 580-acre Burnaston site.

Toyota, the Japanese car group, paid £18.3m for the site but an independent valuation prompted by Brussels put a price-tag of £22.5m on it.

The European Commission said yesterday that the difference constituted illegal state aid to Toyota. It has asked the British government to make sure that Toyota refunds the cash to the council.

"The Commission assumed that a private commercial vendor in similar circumstances and in the absence of alternative offers would have had the site professionally valued before seeking to ensure that the subsequent sale price was at least equal to the resulting valuation," said a statement.

The Commission added, however, that it had always accepted that the UK government had not intended to grant aid to the car manufacturer, and that Toyota had not sought a subsidy.

Burnaston is not an area eligible for EC regional aid, so there was no justification for Toyota being able to buy the site at anything less than market value, said the Commission.

Toyota "was surprised and dismayed" by the decision. It stressed that it has not sought any state aid for the project. It would seek government advice on how to respond, but is thought to be anxious to settle through a prompt payment.

Japanese car maker selects 130 suppliers

By John Griffiths

HONDA has chosen the 130 component suppliers for its 100,000 a year cars plant at Swindon, west of London, which is due to come on stream in late 1992.

A company spokesman yesterday confirmed that the decisions had been made, but with the Swindon facility closed for summer holidays was unable to disclose the identities of all the successful suppliers.

They will share business estimated by Honda of the UK Manufacturing (HUM) to be worth £600m-£800m after the plant reaches full production, with at least 80 per cent European content for the cars, in the mid-1990s. UK suppliers are expected to account for about 50 per cent of the total.

It is understood that the list includes most of the UK's biggest component groups, together with Robert Bosch of Germany whose £100m alternator plant at Miskin, near Cardiff, is now on stream.

Unipart, the former Rover Group parts and accessories subsidiary, confirmed yesterday that it is to supply the exhaust systems, catalytic converters and fuel tanks of the new car, which is to be produced under both the Honda and Rover badges.

It has invested £7m in a joint venture near Coventry to produce catalytic converter systems, starting in September next year. The venture is with Yotaka Giken, one of Japan's biggest producers of catalytic systems.

GKN and Lucas Automotive are also understood to be among the successful suppliers. The components are for an upper-medium sized car codenamed the Synchro, which will go into production on a single shift basis is September 1992.

The cars will supplement Honda's existing range. Some models will also be badged as Rovers and these will replace the Rover's current Montego range built at Cowley, near Oxford.

Both Cowley's South Works, which produces the Montego and Maestro, and North Works, which makes the executive Rover range, are due to close within the next three years.

The Honda venture is already employing 680 people on engine production, which began in late 1989, and other activities such as testing and final preparation of current vehicles. Last year it produced 75,000 engines with this year's output expected to rise to 109,00. Eventually, the engine plant is expected to produce 200,000 units a year.

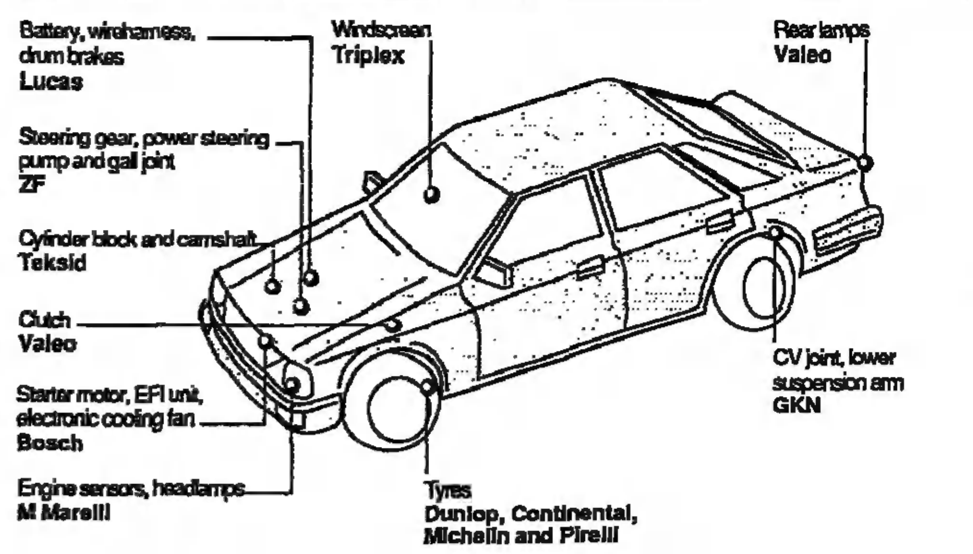
When in full production the Honda project will employ directly some 2,000 people.

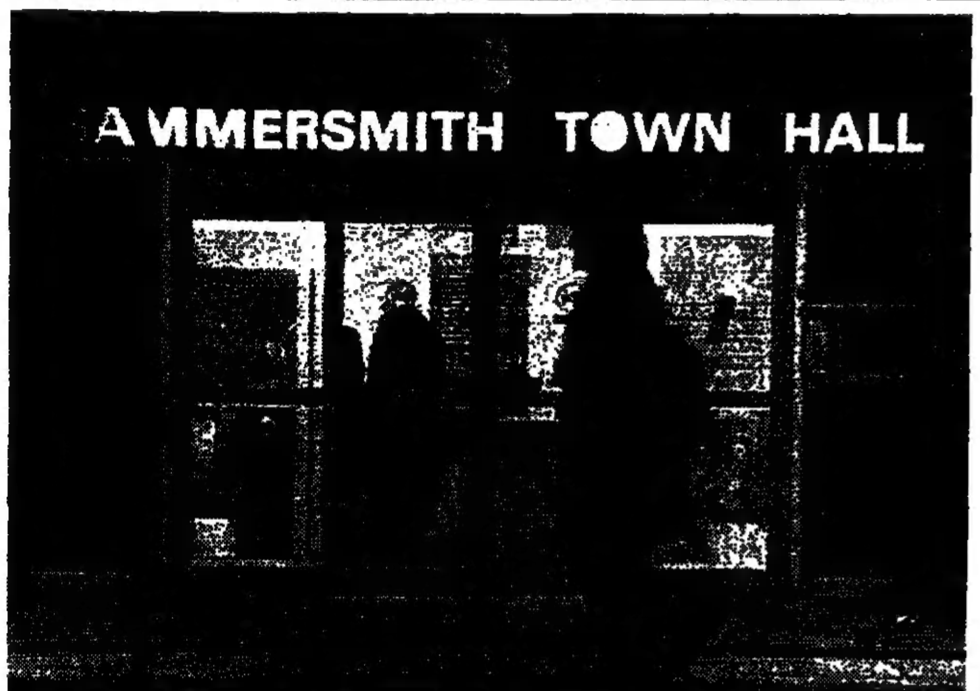
It is already starting to draw component suppliers towards the Swindon area, which is also the home of Rover Group's pressings facilities.

Among them is Bertran Faure Automobile, a French seating manufacturer, which has applied for planning permission to build a 117,000 sq ft factory at Shellingford Aerodrome, 15 miles from the Honda plant.

Property agents in Swindon say they are also talking to several other component makers.

HONDA'S MAIN EUROPEAN SUPPLIERS





'Grave errors of judgement' at Hammersmith and Fulham council (above)

Council risked huge losses through interest-rate swaps

By Tracy Corrigan and Raymond Hughes

THREE PAST and present council employees were responsible for the potential losses of hundreds of millions of pounds run up a London council in the swaps market, according to an independent inquiry published yesterday.

The 850 page report on the activities of Hammersmith and Fulham Council absolves all elected councillors, on the grounds that they did not know about the transactions.

The swaps mostly involved the exchange of fixed-rate for floating-rate interest payments.

The council was involved in more than 550 transactions between 1983 and 1989. At its peak, the council's exposure was close to £3bn, accounting for as much as 10 per cent of the global sterling swap market, according to the report.

The council was saved from the potential losses on swaps earlier this year when the House of Lords ruled that all such agreements entered by councils were illegal and could not be enforced by banks.

Eighty banks face losses of about £600m on swap transactions with 130 councils as a result of the ruling.

The three council officials named are: Mr Clive Holtham, former director of finance; Mr Lindsay Robb, another former director of finance, and Mr Terry Price, currently deputy-director of finance.

A preliminary investigation by the council will be held into the role of Mr Price, who is criticised for misunderstanding the risks involved and for the shift in strategy from debt management to speculation.

Mr Iain Coleman, leader of the Labour-controlled council, said yesterday that there had been "grave errors of judgement" by council officials but added there had been "intense pressure" on councils as a result of the financial squeeze by central government.

The report, produced at a cost to the council of £400,000, shows that the management of swap transactions was riven with inadequate control of financial risk, failure to follow reporting procedures, and a lack of understanding of financial markets.

The report is likely to add to pressure for the internal management of councils to be restructured.

British Gas pressured to reduce industry prices

By Deborah Hargreaves

AN ULTIMATUM for British Gas to reduce prices for power station customers by the end of the week came yesterday from the industry regulator which has threatened to force the cuts.

The warning from the Office of Gas Supply (Ofgas) follows a stormy meeting last week between Mr Robert Evans, chairman of British Gas, and Mr John Wakeham, energy secretary. Mr Wakeham is believed to have put pressure on the company to end the five-month row about the price of gas for power stations.

British Gas is now believed to be putting the final touches to a new price schedule that will offer a significant reduction in price to power station gas buyers. But this will apply to a small portion of gas.

The small amount covered will spark off a frantic rush among companies planning to build 18 independent power generating plants to tie up gas supplies at the reduced price.

Once all of this is taken, British Gas is understood to be planning an overnight increase in price to cut off demand again. It was the company's decision to raise prices by 35 per cent in March that started the row.

Mr Wakeham has exerted pressure on British Gas to try and resolve the issue without resorting to litigation. He can now apply a stronger lever to the company since the Office of Fair Trading will deliver this week a report assessing the development of competition in the gas market.

Letters, Page 11

MPs say Atomic Weapons Establishment plagued by fundamental weaknesses and inefficiencies

'Managerial mess' at N-weapons plant

By Paul Abrahams

A CROSS-party committee of MPs delivered a serious indictment of management at Britain's Atomic Weapons Establishment (AWE), in a report published yesterday.

One member of the Public Accounts Committee described the position at AWE, which develops and manufactures Britain's nuclear weapons, as a "managerial mess."

The committee said the managerial systems at AWE contained fundamental weaknesses and inefficiencies that did not encourage manufacturing to be completed on time or at cost. These had existed for many years. Lack of control over research also meant no one knew what work remained to be done.

Ministry of Defence officials told the committee that "such things as completing jobs in the workshops to time were not the main priority for research engineers or the people who had been running the AWE.

"The department recognised that the ethos of the AWE had been that work was fed into the workshops, target times were specified and then 'if they happen, they happen and if they do not, they do not.'"

The committee was also told that AWE has still not succeeded in transfering management information into computers, although it has been trying to do so for the last eight years, said the committee.

The MoD said the AWE was staffed at higher levels almost entirely by brilliant nuclear scientists who were not well informed on management information systems and did not regard this matter as their highest priority. This was in spite of the fact that without such systems it was very difficult for them to determine what research work remained to be done.

The committee said it was surprised and disappointed that weaknesses remained in this straightforward area. The MoD accepted that management information systems at AWE "left something to be desired."

A £1bn capital works programme for the Trident programme is three or four years late, according to the MoD.

The ministry said the main reason for the delay was that an enormous civil engineering programme had been managed by nuclear scientists. However, this would not affect delivery of the Trident warhead programme.

The committee criticised the MoD for not establishing a strong capacity within the department to probe and challenge research plans, costs and achievements at AWE. It said it expected the MoD to operate as an informed customer and should have reacted much earlier to problems some of which were revealed as early as 1985.

Meanwhile an interim management contract has been awarded to Hunting Brae, a consortium of Hunting Engineering, Brown and Root, Vickers and AEA Technology. A new chief executive and senior managers have been put into place by the consortium.

UK water chiefs try to dilute regulator's proposals

Daniel Green examines claims that Ofwat has succumbed to political pressure over financial returns

SENIOR FIGURES in UK water companies yesterday attacked the industry's regulatory body, Ofwat, saying it had succumbed to short term political pressures in its proposals to tighten controls on dividend growth.

They were responding to a consultation paper from Mr Ian Byatt, the director general of Ofwat, in which he said that investors in the water companies should not be rewarded with returns above those generally available in the financial markets. He said: "There are reasons why they should be content with less given the low risk and security of the water shares."

One water company finance director said that government officials might have guided the regulator in response to publicity given to pay increases for privatised industry company chiefs, including some in the water industry, and policy statements from the opposition Labour Party which emphasise the rights of consumers as opposed to shareholders.

"Let's be quite blunt, we're in election season," said another. "Ofwat is responding to political pressure. Water is the one privatised industry where prices are increasing in real terms."

He described as "weasel words" the regulator's statement that he would respect promises on flotation of a progressive dividend policy from water companies, and the low risk view of his business as "a popular myth".

Although the paper is for consultation only, with comments to be submitted by November 30 1991, it generated a sharp reaction in the water companies' share prices.

Since mid-afternoon on Monday, water sector shares have lost almost 4.5 per cent of their value, equivalent to a fall of £320m in their market value. The worst hit was South West Water whose shares fell almost 6 per cent.

There are three main changes in policy outlined by Ofwat:

- Gearing. After 1995, the water companies' gearing could rise to 50 per cent or even 75 per cent. This compares with a typical 35 per cent seen as an upper limit before that date.
- Cost of capital. On flotation, the cost of capital was estimated to be 7 per cent. The proposal is to reduce this to 5 or 6 per cent. Since it is part of the formula used to calculate the pricing regime (the so called K-factor, related to retail price inflation), reducing it will limit price rises.
- Dividends. On flotation real dividend growth of 4 per cent was anticipated. The consultation document says this should be reduced to 2 per cent before 1995 and zero thereafter.


Testing the water: Ian Byatt (above) has provoked a strong industry reaction

The proposals represent the latest stage in the toughening up of a regulator whose avowed intention two years ago, ahead of the companies' flotations, was to take an "arm's length" approach to regulation.

In August 1989 Mr Byatt said of the water companies: "They must be able to make management decisions without undue interference".

There is still a great deal of flexibility in what water executives can do. The proposals relate only to the companies' core businesses. Indeed, the regulator has no remit to consider, for example, waste disposal operations.

Although Ofwat has proposed limits on dividend rises, shareholders may be able to earn greater returns than those specified either through efficiency gains or expansion into non-core businesses.

The water companies say they will redouble their efforts to diversify into new areas if Ofwat's recommendations are set in stone. Severn Trent says that it anticipated a tightening of the regulatory environment and planned accordingly: in May it paid £212m to industrial services group BET for the Biffa waste disposal business.

The gist of the consultation paper was not a great surprise to the rest of the industry either. In May, a letter to the water companies from Ofwat warned that unexpectedly high profits should be used to increase capital spending rather than pay "excessive" dividends.

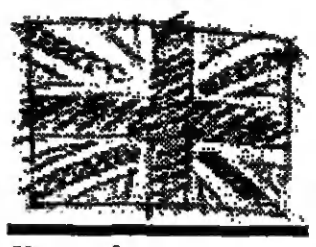
The water companies did keep their dividend payouts low in their results season, but at higher levels of profitability than anticipated by Ofwat. The regulator's position is that the level of return on investment typical for the high inflation 1980s is not necessarily applicable for the 1990s.

The industry replies that while this may be true, the licence under which they operate does not have a mechanism for reversing changes to levels of expected return on capital if, for example, interest rates were to rise again in the mid-1990s. They add that, far from reducing risk, the proposals to allow gearing to rise will increase it.

While there are still doubts over the extent to which to which Ofwat will transform its thoughts into actions, the fact remains that it is breaking ground untouched by other utility regulators. "There should be a great deal of worry about what it has said," said one City analyst. "This is loudest sabre rattling that we've heard from any regulator."

Cost of Capital, A Consultation Paper. Office of Water Services, July 1991.

BRITAIN IN BRIEF



Iraqi exports were vetted says Major

Mr John Major, the prime minister, responded to Labour party attempts to stoke the political furore over the export of militarily-sensitive goods to Iraq by accusing the party of impugning the "integrity and professionalism" of officials.

He told Mr Gordon Brown, the Labour opposition's trade and industry spokesman, that all applications for export licences to Iraq prior to the invasion of Kuwait would have been "carefully-vetted". The Department of Trade and Industry will next week send MPs a memorandum setting out details of goods licensed between January 1987 and August last year.

Lamont insists recovery on way

Mr Norman Lamont, the chancellor of the exchequer, held to his prediction that UK economic recovery would start in the second half of this year despite Tuesday's bleak industrial trends survey from the CBI. Mr Lamont, interviewed on BBC Radio before leaving on a trip for Moscow, indicated that the government would continue to resist CBI pressure for an early cut of at least one percentage point in interest rates.

Call for postal liberalisation

Britain should demonopolise its postal services and abandon uniform letter prices in order to encourage the EC to adopt a liberal postal service policy, according to a report by the Institute of Economic Affairs.

The report argues that the forthcoming EC green paper on the future of postal services in Europe is likely to recommend the continuation of national monopolies, intra-EC trade restrictions, an EC-wide uniform letter price and regulation from Brussels.

Increase in insurers

The number of insurance companies active in the UK rose to 839 last year from 832 the year before, according to the DTI's Insurance Annual Report. Following implementation of the EC non-life services directive, 21 companies with their head office elsewhere in the EC became entitled in 1990 to carry on general insurance business in the UK.

Insolvency orders rise

The government's Insolvency Service has obtained more than 1,000 disqualification orders against incompetent, dishonest and negligent company directors since 1987, said Mr John Redwood, DTI corporate affairs minister.

BR faces action over service

British Rail was issued with seven summonses in county courts by commuters backed by the Consumers Association. All of the actions are brought by individual travellers. Four involve poor service on daily journeys, and three concern serious disruption to travel plans.

Football super league nearer

Mr Arthur Sandford, chief executive of the Football League, pictured below, shortly after a judge had given a ruling that could lead to the creation of a football super league by next year.

The court ruled that it was within the rights of the Football Association, the game's governing body, to establish a premier league. The Football League, which runs the four existing divisions, had sought a judicial review of the FA's plans.

Vauxhall chief returns to US

Mr Paul Tosch, who steered General Motor subsidiary Vauxhall through four successive years of record profits, is relinquishing his job as chairman and managing director at the end of this month.

He is returning to the US to become to general manager of GM's Harrison components division, and will be succeeded by Mr William Ebbert, presently group director of business operations at GM's Automotive Components Group in Michigan, US.

Thames wins union approval

Thames Water, Britain's largest water utility, has won union approval for a "single table" bargaining arrangement in which three separate sets of negotiations will be replaced by one.

Helicopter contract delay

The decision for the prime contractorship of the controversial EH101 helicopter, which was due by the end of this month, has been delayed. However, Mr John Major, the prime minister, said the contract would be awarded "well before the end of September".

Irish president to visit US

President Mary Robinson of the Irish Republic will visit the US from October 12-21, the Irish government has announced.

MANAGEMENT: Marketing and Advertising

Agency remuneration

Dirty tricks put commission under strain

By Alice Rawsthorn

Advertising is a congenitally indiscreet industry. But the one topic which guarantees discretion is the question of how agencies are paid.

This summer the thorny issue of agency remuneration has leapt into the limelight. Last week the Incorporated Society of British Advertisers, which represents the agencies' clients, caused consternation by proposing that agencies should be paid according to a sliding scale of commissions which would, in general, be lower than present levels.

At the same time the agencies are beset by allegations that they have been overcharging clients for the production of press advertisements. And a few weeks ago, the Miller and Leeves WAHT agency was fired from the Department of Transport account after the discovery that one of its subsidiaries had failed to refund a discount to its client.

Accusations of dirty tricks and the threat of reduced remuneration would be unwelcome to the ad industry at any time. But the current controversy comes when agencies are under intense financial pressure because of the recession.

Traditionally, UK agencies have adopted the standard system of remuneration pioneered in the US whereby they are paid a commission of 15 per cent of their clients' advertising expenditure.

The shortcomings of this system are obvious. Payment by commission makes it very difficult for agencies to predict their income. This has been aggravated during the recession when clients have often been forced to cut advertising budgets at short notice.

"A client might propose spending £1m on a television campaign, but then cut the budget to £500,000," says Mike Walsh, chairman of Ogilvy & Mather. "The agency's income is halved but it is still left with the same overheads."

Similarly, the commission system means that clients also find it difficult to forecast how much they will spend. Clients cannot fail to suspect that agencies' advice is not entirely unbiased, since it is in their interest to encourage as much spending as possible.

As a result, a number of advertisers, notably BT and Bass, have switched from payment by commission to pre-negotiated fees. This trend has been accentuated by the growth of centralised media-buying – whereby clients separate responsibility for buying media time and space from the rest of their advertising – and by the expansion of other forms of marketing, such as sales promotion and public relations, where remuneration tends to be fee-based.

Five years ago, BT adopted a policy of paying its agencies fixed fees. Mike Bowtell, controller of advertising, says the fee system gives it "tighter control of costs and ensures there is a more direct relationship between what we get and what we pay".

Some agencies are encouraging the trend towards fees. Howell Henry Chaldecott Lury, a young London agency, has devised a system whereby it and its client agree an hourly fee – based on its budgeted costs plus 20 per cent – subject to a maximum and minimum level. The agency then records the amount of time spent on each account and is paid monthly.

"It means we know roughly how much we will earn and the client knows how much it will spend," says Rupert Howell, managing partner. "The commission system is an anachronism. Advertising agencies should be paid by fees like lawyers, accountants or any other business partner, not like estate agents."

However, the general trend in advertising remuneration has not been away from commission to fees, but towards lower levels of commission. Some clients, notably Procter & Gamble, still pay the traditional 15 per cent – but they are the exceptions.

Some types of account, notably multiple retailers and government privatisation programmes, operate on far lower commission levels of between 7 and 8 per cent. Other clients try to haggle with agencies as much as they can. One computer company touted its account around at a measly 2 per cent. It eventually found an agency to take it on but has not revealed what the final commission was.

This variation in commission levels has further distorted the market. Cynics in the industry suspect that it has led to an increase in agency malpractice.

"Agencies can only afford to take on accounts at low levels of remuneration either by 'subsidising' them with the revenue from clients paying higher commission or by making up the extra revenue by padding out production bills," says one agency head.

The issue of production costs has come to a head this summer thanks mainly to the efforts of Bob Holt, who recently left Saatchi & Saatchi to start up his own business auditing the costs of producing press ads. He claimed at a recent conference that five out of six of the budgets turned out to be at least 30 per cent higher than he considered a 'reasonable' market rate.

Holt accuses agencies of padding out their print production bills via a number of ruses ranging from invoicing clients for unnecessary work, to negotiating bulk discounts with suppliers but not passing them on to the clients.

His accusations, which follow a few years after a similar rumpus over film production bills, have been denied by the agencies. However, the Institute of Practitioners in Advertising, which represents the agencies, is joining forces with ISBA to discuss an initiative to stamp out such abuses.

It is against this background that ISBA has produced its guidelines for advertisers on the whole topic of remuneration. ISBA proposes a sliding scale of commissions ranging from 15 per cent for accounts of up to £1m, to 8 per cent for accounts worth more than £3.5m. These proposals are already coming under fire from the IPA.

"The present remuneration system is undoubtedly unfair," says Peter Mead, chief executive of Abbott Mead Vickers and IPA president. "The problem is that many, many people have tried to come up with a better alternative and, so far, no one has succeeded."

European deregulation

Removing constraints on 'knocking copy'

Alice Rawsthorn reports on the guarded welcome given to an EC move to liberalise the advertising industry

The European Commission's apparently endless stream of proposals and counter-proposals on advertising regulation has until now been greeted with groans by Europe's advertising agencies. Not surprisingly, they are concerned that regulation will impose undue constraints on their work.

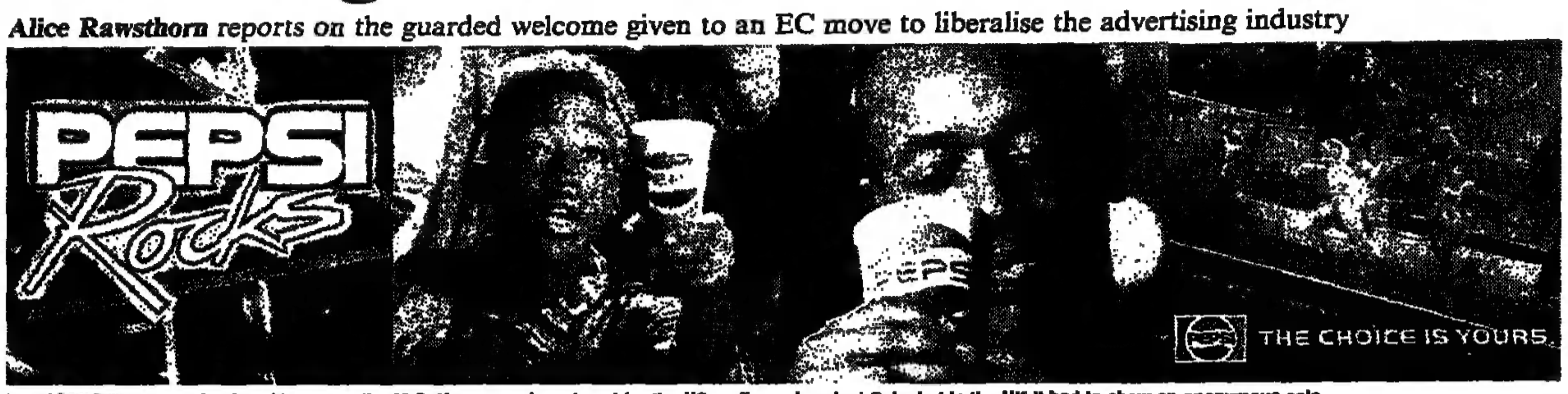
However, there is one exception. The recent proposal to permit comparative advertising – whereby advertisers are allowed to promote their own products by comparing them with those of their competitors – actually removes constraints on the agencies rather than imposing new ones.

"Anything in our armoury which gives us a new way of differentiating between one product and another has got to be welcome," says Mike Greenlees, joint chairman of Gold Greenlees Trott, one of the larger London agencies.

However, the path towards the proposed liberalisation of comparative advertising – or "knocking copy", as it is often called – seems far from smooth.

First, Karel Van Miert, the commissioner of consumer affairs who tabled the proposal, has also mooted a series of restrictions on the use of comparative ads. Second, it is not clear how member states will be expected to monitor knocking copy and what sanctions they should take against transgressors.

"Knocking copy" has been common currency in North American advertising since the 1960s. The commercial breaks on the US television networks are crammed with ads in which 'Brand A' bashes 'Brand B', or 'Brand X'. One recent estimate suggested that nearly a third of network television commercials are comparative.



Pepsi has long resorted to knocking copy: the M.C. Hammer ad produced for the US audience knocked Coke but in the UK it had to show an anonymous cola

Wendy's, the fast-food chain, once taunted its arch-rival, McDonald's, with a series of "Where's the beef?" advertisements. The current campaign for British Knights sports shoes attacks Nike's successful Air range with "Your mother wears Nike" ads.

PepsiCo has frequently resorted to knocking copy in its long-running assault on Coca-Cola. The latest Pepsi commercial shows M.C. Hammer, the rap music star, horrifying his fans by slipping into a syrupy, sleazy singing voice after drinking Coke. A member of the audience comes to his rescue by offering him a can of Pepsi. M.C. Hammer's voice returns to its usual streetwise rapping tones.

These ads would not be allowed in most of Europe; the only country where comparative advertising is specifically banned is Luxembourg. But knocking copy falls foul of trademark protection legislation in most other countries, including France and the Netherlands. In Germany it is prohibited under unfair competition law.

Spain and Portugal do permit comparative advertising. It is also allowed, subject to fairly tight restrictions, in the Republic of Ireland, Denmark and the UK.

Pepsi produced a different version of its M.C. Hammer commercial for the UK in which the Coca-Cola can is replaced by an anonymous soft drink.

This motley assortment of national rules and regulations would be swept aside under the Van Miert proposals, which were approved as a draft directive by the Commission in May. Under the present proposals, comparative advertising will be permitted throughout the European Community providing it does not denigrate another product or capitalise on the trademark of a competitor.

In theory this ought to allow Europe's ad agencies to use comparative ads to attract attention to new products, or to revitalise established brands. In the US, for example, comparative campaigns helped the rise of Federal Express at the expense of the US postal service, and launched Total, a new General Mills cereal, in competition with Kellogg's Corn Flakes.

At the same time, the restrictions against denigrating other products or against capitalising on competitors' trademarks should prevent agencies from abusing their new found freedom.

However, the European advertising agencies are concerned that the theory of liberalising comparative advertising will not work out in practice. One concern is the risk of misinterpretation.

"Just think of all the possible interpretations of the word 'denigrate'," says Alastair Tempest, director general of the European Advertising Tripartite in Brussels. "It looks like a legal minefield."

Another concern is the Commission's decision to leave the regulation and implementation of comparative advertising to the discretion of individual member states. This could create a situation where the rules and regulations covering comparative advertising in different countries are as patchy as ever.

"While we welcome any initiative to deregulate advertising, it is regrettable that the Commission should have started with such a tricky subject and one that attracts so much controversy in some countries," says Tempest.

But it is not only in Europe that comparative advertising is attracting controversy. Thanks to PepsiCo it is also the subject of fierce debate in Japan.

This spring the Japanese screening of the original M.C. Hammer commercial provoked complaints to the Fair Trade Commission and Pepsi was forced to take it off air.

Previous articles on the impact of EC directives on the advertising industry were published on June 25 and June 27.

عبدالله

The Beggar's Opera

HOLLAND PARK OPEN AIR THEATRE

The clouds that burst over Luciano Pavarotti in Hyde Park on Tuesday did their best to put a damper on spirits at nearby Holland Park too – but at least the audience of *The Beggar's Opera* could be guaranteed a dry seat. The problem here was not discomfort, but the relentless recitative set up by the rain on the smart white awning which shields players and audience from the worst that the English summer can hurl at them. Basic audibility was good – the stage is well equipped with microphones – but the effect was to conduct attention away from the centre of the stage to its periphery, emphasising the flat expanses that somehow had to be filled by Peter Benedict's valiant but sadly unconvincing production.

This eccentric and enduringly influencial ballad opera was created by John Gay in 1728 as a waggish response to the artistic and political corruptions of his day: Italian opera is parodied in the tender love songs of a bigamous highwayman and his many molls; Prime Minister Walpole himself is discernible in the conniving Peachum, president of a thriving pick-pocketing industry. A clever satire of social injustice is scattered among the thieves and whores of a society living in the shadow of Newgate jail.

The difficulty, historically, has been to find an idiom that embraces the idiosyncracies of Gay's conception: Oracle Productions declares the piece an "hilarious musical comedy", but then casts performers of operatic voice in the central roles of Macheath and Polly Peachum, much as the early producers are believed to have done. Mark Tinkler and Sophie-Louise Dann sing well together: their rendition of "Over the hills and far away" is beautifully done.

But while Dann sets up a pretty contrast with the urchin charm of Jo-Anna Lee's Lucy Lockit, and the laid-back sexuality of Aline Mowat's Jenny Diver, Tinkler's stand-and-deliver style seems simply out of place. He gets nowhere near the dash of this most celebrated and raffish crook, and submits to the caresses of the treacherous Jenny Diver as if hoping, against hope, that she would allow him to move on to the next song.

The unevenness extends to Fenella Fielding, whose bill-topping Mrs Peachum pouts and postures in a world of her own: possibly in anxiety to reach the audience, she appears to forget that there is anyone else with her on the stage. The distances involved mean that it is like watching a rag doll trying to perform a star turn. Peachum, in Colin Starkey's rendering, fares rather better – becoming jolly, capering fixer much prone to losing his wig.

The chorus gives itself gamely to the business of populating the stage with scrofulous whores and scurvy drinking companions, although the roughness of the stereotypes makes a curious contrast with the refinement of the singing. Cross-dressing is used to stretch the modest ensemble, which is fair enough as far as it goes. On this stage it simply does not go far enough.

Claire Armitstead

CINEMA

Witty tale of human bewilderment

EVERYBODY'S FINE
Giuseppe Tornatore

BACKDRAFT
Ron Howard

THE ROCKETEER
Joe Johnstone

AFTER DARK MY SWEET
James Foley

LISTEN UP
Ellen Weissbrod

Marcello Mastroianni is the world's most radiantly doleful matinee idol. The face is that of an ageing Frog Prince in shock. The eyes bat in eternal vigilant scepticism. The voice is a musty baritone marinaded in bewilderment.

The Italian star's presence raises Giuseppe Tornatore's *Everybody's Fine* from a minor opera *buffa* into a serio-comic *King Lear*. Our hero is a peasant patriarch from Sicily on a mainland trip, perhaps his last, to see his children. The operatically named offspring – Tosca the actress-model, Canio the politician, Norma the young wife – pretend to delight on Dad's arrival. But they dodge his questions about their welfare and secretly wait for the old loon to scoot back to his nest. The crowning irony is that Mastroianni himself hides and husbands the biggest family secret of all.

This could have been maudlin piffle, overdosing us with generation-gap poignancies like the more resistible parts of Tornatore's last film *Cinema Paradiso*. Instead, led from the front by Mastroianni, it has a witty, tragic human bewilderment. Zigzagging across the land like a migrant bird who has lost his map, Signor M peers through pebbled glasses at the oddities of modern Italy. In Rome a rooftop madman yells "If I don't get a million by tonight I'll tear down all your TV aerials." In Milan everyone moves about in smog masks. And on the motorway, traffic grinds to a gridlock when a stag crosses the road.

Modern life is magnified for the terrified outsider. Even when safe in his Rome-dwelling daughter's flat, our hero mistakes the sounds of strife from a TV soap opera for a real marital row. Jollied along by Ennio Morricone's music, composed as if for bouncing ball without trampoline lyrics, Tornatore's tale is never allowed to stand still and suffer. It flickers with fun even when veteran French diva Michele Morgan hoves into view to befriend Signor M.

"You have to be ready for everything" Morgan croons, "even for one's children to reject one." Yes indeed. But no sooner does the old codger get the message than he delivers *his* message, finally answering the children's repeated query "How's mother?"

As befits a film about a man who has his blinkers removed and then removes those of his family, *Everybody's Fine* has peripheral emotional vision from the start. Even the Fellini-esque flourishes – like the nightmare sequence of a raggedy black balloon lifting squealing children from a beach – belong in that landscape of old age where dream and reality fight it out, like the last warfare of the mind before we fall asleep. This is a funny, moving film, given titanic charm by its unsinkable star, who wears his hundred-odd previous movies like beatific ballast.

★

If only *Backdraft*, a $39m firefighting epic directed by Ron (*Cocoon*) Howard, had been turned over at an early stage to Signor Tornatore. He could have called it *Everybody's On Fire* and cast Mastroianni as a plucky veteran fighting the deadly, singeing crackle of Hollywood action-movie dialogue.

Here we have Kurt Russell and William Baldwin as estranged brothers melting their differences in flame-torn Chicago. Their fireman father having died on the job, headstrong Kurt and nervous William must purge the memory by dashing into every damned conflagration they see. Watching from afar are arson investigator Robert De Niro and jailed nutcase Donald Sutherland, a sort of Hannibal Lecter of the safety match. Watching from slightly nearer is the audience, fanned by fire scenes so vivid that we hold the press notes in front of our faces to keep out the heat.

Under Special FX supremo Allen Hall, the film plays every variant on the Promethean theme from lunging walls of flame devouring whole buildings to tiny, flirtatious curls of smoke that lick under a door and then retreat, signalling the deadly backdraft.

Unfortunately the film's plot and dialogue are less flammable than its effects. The story is standard sibling-rivalry hokem. And ex-fireperson Gregory Widen's script is written entirely in the exclamatory mode – "This is the real shit, man!", "I gotta do this, Stephen!" – except for one moment when sex-interest Jennifer Jason Leigh is allowed to toy with the Spoonerist potential of the word "firetruck." Of that ingenuity even James Joyce might have been proud.

★

The summer term having ended, many of you will be sitting at home wondering "Where do we take the children if it rains?" My advice is: let it be *Robin Hood, Prince Of Thieves* rather than *Backdraft*. Let it be *Backdraft* rather than *The Rocketeer*. And on no account at all let it be *After Dark My Sweet*. *The Rocketeer*, directed by Joe Johnstone of Honey *I Shrunk The Kids*, is a 1930s-set Disney romp about a flying-machine designer (Alan Arkin), his handsome test pilot (Bill Campbell), the test pilot's girl (Jennifer Connelly) and a Nazi conspiracy (Timothy Dalton). The plot-propellant is a rocket-powered backpack that sends its wearer zooming at high speed all over the landscape. After being invented by Howard Hughes (Terry O'Quinn), it is sought after by the FBI and fought over by Messrs Campbell and Dalton.

It will soon be snored over by film audiences worldwide. Despite the best kiddie-fare intentions, the film scores nought for wit and suspense, four-and-a-half for flying sequences. The only straight ten goes to production designer Jim Bissell, whose triumphs include a Mayan-style mansion for the villain and a free-standing saloon bar shaped like a bulldog.

After Dark My Sweet is barely-standing thriller twaddle shaped like a Jim Thompson story. Washed-up boxer Jason Patric meets man-hungry widow Rachel Ward and gets entangled in a kidnapping scheme with Ward's friend Bruce Dern. The victim is the diabetic son of a Palm Springs millionaire. The boy is clearly near his tether's end, though no more so than the stark mad Mr Dern who overplays like the blithe master he is. Elsewhere Thompson's novel lies prone and senseless. Director James Foley (*Reckless, At Close Range*) stretches out talk scenes like chewing gum – verbal mastications alternating with elastic, meaningless pauses – and Mr Patric and Miss Ward search vainly under beds and behind curtains for the lost shades of John Garfield and Barbara Stanwyck. Thank heaven for Mr Dern. After decades of playing lovable psychotics, his youthful mania has matured into a mellow, toothy virtuosity. Madness in the movies, he proves, can be savoured like the finest wine.

★

Ellen Weissbrod's *Listen Up* tries to be a *Citizen Kane* of the documentary but picks the wrong subject. Quincy Jones, composer, record producer and soft-spoken interviewee, is no Charles Foster Kane. And his last-reel memories of having his fifth birthday cake thrown away by his mother (later institutionalised) are no substitute for "Rosebud."

Undaunted, Miss Weissbrod clatters on through his life. Kaleidoscopic editing abounds. And interviews from the famous are chopped up, intercut and overlapped: "My name is Francis Albert Sinatra," "My name is Barbra Streisand," "My name is – no one's ever asked me that before!" (Ray Charles). As for Michael Jackson, he turns *Kane*'s chiaroscuro into total obscurity by insisting on no lights. Since he had agreed to an audio-only interview anyway, this sounds like a bid to out-crazy Bruce Dern.

Meanwhile, millions of filmgoers less-than-versed in popular music may be asking who is Quincy Jones? Answer: black popular musician; composed some 40 film scores, including *In The Heat Of The Night*; produced Michael Jackson's best-selling records; has arranged music for almost everyone including Sinatra; and has three broken marriages and, on this film's evidence, a lot of confused children. Versatility can sometimes be a mixed blessing. "Quincy's like a spray gun of love," rhapsodises Steven Spielberg, in what may be the most ambivalently accurate remark in the film.

Nigel Andrews

Unsinkable star: Marcello Mastroianni in 'Everybody's Fine'

The Lady from the Sea

RIVERSIDE STUDIOS

I am, no doubt, old-fashioned, but I am still moved by *The Lady from the Sea*, Ibsen's 1888 drama of a wife torn between married love and the call of the the sea. And not just the sea; she is called by a man from her past, a man who belongs as surely to the sea as the Flying Dutchman. The play is, with *A Doll's House* (1879) and *Hedda Gabler* (1890), one of Ibsen's finest studies of marriage and, in particular, the confinement felt by married women. And, please note, each of these three ends differently. Whereas Nora (*A Doll's House*) leaves home and husband and Hedda commits suicide, Ellida Wangel, "the lady from the sea," once given freedom by her husband, opts for life with him.

I'll grant that, every so often, the playwright clangs his symbols round our ears too boomingly. (The carp in the pond; the physician and his patient; and – oh yes – the sea, the sea.) Also that he spells out too obviously What He Means. (The key phrase, about "of my (your/her) free will," occurs maybe a dozen times.) Still, the story itself rivets me; and, as often with Ibsen, I am amazed by how ahead of his era he was. This story is proto-Freudian; the husband who knows that he, as physician, must find the key to his wife's misery, the wife who knows too well that the problem is within herself.

This staging, presented by the Women's Playhouse Trust, is said to be "a new version by Heidi Thomas," from an original translation by Kari Dickson. It is hard to know, however, what role Thomas has played here, though her name is featured as large as Ibsen's on the programme. The plot, the characterisations, the resolution are all as usual. The translation is fresh and idiomatic, but the text is not significantly different from the two translations of the play I have on my shelves.

The staging, directed by Jules Wright, keeps everything quiet, muted, subdued. Too much so. With her cropped hair and loose clothes, Kathryn Pogson makes Ellida the most modern character in the play, but she keeps her neurosis so internalised that it only occasionally registers.

Alastair Muir

Kathryn Pogson and Hugh Fraser

Impossible to fend off memories of Vanessa Redgrave in the 1979 Roundhouse production; I keep seeing her luminous presence in this role, the extraordinary way in which she floated over the stage like a spectral column of shining mist, and hearing her desperate, haunted, tender tones.

As Ellida's husband Dr Wangel, Hugh Fraser is so mild and passive that his great moment, relinquishing Ellida to her freedom, becomes almost an act of complacency. Neither Fraser nor Pogson nor Peter Gowen as the Stranger exert any dramatic force through their voices; indeed, Pogson was sometimes scarcely audible. The play was never dead; every line had been considered, nuanced – but in unduly pastel colours. Too many of Ibsen's stage directions were ignored. The best playing was in the supporting roles; and Fotinu Dimou's designs, creating three or four adjacent types of space, are wholly admirable and atmospheric.

Alastair Macaulay

Luciano Pavarotti

HYDE PARK

Tuesday in the Park with Luciano turned into a typical English summer evening. As the band crashed into the overture to *Luisa Miller* the rain became a downpour, before settling into a steady, relentless drizzle.

The audience in the plastic seats, who had paid up to £450 for the experience, decided that it was all so depressing that they might as well joke about it and some good-natured middle-class banter forced the tentatively-raised umbrellas to be lowered. "They're just nouveaux", shouted one hardy opera lover at a lady rigidly dressed as for a Covent Garden gala, who eventually admitted defeat and sacrificed her perm to the heavens.

And the fat man sang. Pavarotti himself was protected by a vast pink portico, a Greek temple erected over the Philharmonia Orchestra and Chorus and the world's leading tenor, who had generously sacrificed his £100,000 concert fee to entertain an estimated 100,000 fans out there somewhere in the park, for free.

He seemed to enjoy himself, smiling broadly, kissing fingers to the crowd, as he mopped his noble head with the inevitable white napkin.

He paced himself carefully, letting the orchestra and chorus fill plentiful gaps while he concentrated on half-a-dozen operatic arias and a trio of Italian lollipops.

But, in the few moments when he reached for the sullen darkening skies with his most perfect and sustained of high notes, the event became magical. His choice of arias may be hackneyed in the extreme - from *Tosca*, from *Luisa Miller*, even "On with the Motley" from *Pagliacci*, but his voice is so sweet and certain that they temporarily seem enchanted.

With the popular songs, the banal is close at hand – in "Mama" he is almost the ice-cream tenor. But his presence; his confidence; his integrity, came to the rescue in the encore, in "Nessun Dorma", the aria which has brought millions to a love of great singing and the operatic fantasy.

Antony Thorncroft

Norwegian Chamber Orchestra

ROYAL ALBERT HALL, RADIO 3

At Tuesday's Prom, this Norwegian band lived up to its excellent reports. There'd been an honest BBC warning that the Pavarotti concert next door in Hyde Park would make getting to and from the Albert Hall a marathon, so I listened at home. I can't say confidently whether the NCO's keen attack and big dynamic contrasts carried as well into the big hall as on the radio; but the applause sounded seriously enthusiastic, and well-earned – thanks in considerable part to their conductor and soloist Iona Brown.

Miss Brown has been closely involved with their fortunes for a long time (and has just been honoured for that by the Norwegian government), though British audiences probably think of her still as a superlative leader of the Academy of St. Martin-in-the-Fields. In fact she is a soloist of muscular verve and strong musical opinions – among them, that chamber-orchestral playing is a vital art: which was why this programme left so little room to distinguish between her and her band.

They began with two all-string masterpieces, young Britten's "Frank Bridge" Variations and old Richard Strauss's *Metamorphosen* for 23 "solo" players. I'd have defied anybody to find anything unidiomatic in their Britten, characterised with the utmost vividness and pacey to boot. The ripely elegiac *Metamorphosen* of 1945 described a fine dramatic curve (swifter than some), punctuated by a few passionate, unwritten *rubati* on impeccable musical grounds, and trading upon the individual strengths of the whole string band. In this work Strauss effectively expanded the string idiom of the sextet-prelude to his opera *Capriccio*, and the conductor here insisted rewardingly on chamber-interplay throughout the score. (A missed entry or two made no difference.)

Their second half was given over to Mozart's long "Haffner" Serenade K. 250, in which Miss Brown figured dashingly in the solo music – crisp, witty and whimsical. It was composed the year after Mozart's last official violin concerti; six years later the famous "Haffner" Symphony itself began as a five-movement Serenade, and K. 250 has almost as much to offer. Beyond the lively delights of its three "concerto" movements (the last an athletic, breathless Rondo), Brown enforced a robust stamp in the purely orchestral ones.

Most of all, in the undanceable first Minuet: at least as aberrant and darkly aggressive as any of Papa Haydn's mock-minuets up to 1776, it apologises with a dewy, harmonically naive Trio. Brown and the NCO played up the irony for all it was worth – which is a lot, since it catches young Mozart at a new point of knowing sophistication. For his bicentenary it would be good to hear other watersheds in such sharp focus, and not just *n*th performances of his familiar perennials.

David Murray

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ ATHENS

Lycabettus Theatre 21.00 Euripides' play Iphigenia in Tauris, in a production by the Municipal Regional Theatre of Larissa, repeated tomorrow. Sat and Sun in Herod Atticus Theatre: Iphigenia in Aulis, in a production by Karolos Koun's Art Theatre (322 1459)

■ BRUGES

Onze-Lieve-Vrouwekerk 20.30 Concerto Armonico Baroque Orchestra of Budapest presents a programme of Handel concertos and cantatas, with Maria Zadori soprano. Tomorrow in Bruges Cathedral: Ex Tempore vocal and instrumental ensemble gives a recital of English cathedral music. Sat: Collegium Instrumentale Brugense plays music by Bach and Salieri. Sun: Fontei's Vespro della Beata Vergine, performed by Concerto Palatino Bologna. There are Flanders Festival concerts in Bruges all next week (050-448686)

■ LONDON

DANCE

Covent Garden 19.30 Birmingham Royal Ballet in Frederick Ashton's La Fille mal gardée, designed by Osbert Lancaster, with music by Hérold arranged by John Lanchbery. Repeated tomorrow and Mon, with two performances on Sat. The BRB season at Covent Garden lasts till August 10 (071-240 1066)

Royal Festival Hall 19.30 English National Ballet in Mary Skeaping's version of Giselle, also tomorrow, with matinee and evening performances on Sat. ENB season runs till Aug 17 (071-928 8800)

MUSIC

Royal Albert Hall 19.30 Tadaaki Otaka conducts BBC Welsh Symphony Orchestra in Grace Williams' Sea Sketches, Prokofiev's Romeo and Juliet (excerpts) and Tchaikovsky's Violin Concerto, with Dong-Suk Kang. Tomorrow: Otaka conducts Ein Heldenleben and Tippett's Piano Concerto, with Peter Donohoe. Sat: David Atherton conducts National Youth Orchestra in Shostakovich's Leningrad Symphony and Walton's Viola Concerto, with Yuri Bashmet. Sun: Andrew Davis conducts first-ever performance at the Proms of Mendelssohn's Elijah, with soloists Gianna Rolandi, Alfreda Hodgson, Laurence Dale and Hakan Hagegard (071-823 9998)

THEATRE

Royal Shakespeare Company In the Barbican main theatre, Ian Judge's colourful, camp production of The Comedy of Errors is showing tonight, followed tomorrow and Sat by Much Ado About Nothing, directed by Bill Alexander, with a cast led by Roger Allam, John Carlisle and Susan Fleetwood. Next week's repertory also includes King Lear and Chekhov's The Seagull. In The Pit, Sam Mendes' production of Troilus and Cressida can be seen tonight, tomorrow and Sat, with a cast led by Ralph Fiennes and Amanda Root. Next week's repertory begins with Christopher Marlowe's play Edward II (071-638 8891)

New Shakespeare Company At the Open Air Theatre, Regents Park, tonight's performance of Macbeth is directed by William Gaunt and designed by Bruno Santini, with Peter Woodward and Nichola McAuliffe as the leading couple. Tomorrow and Sat, Roy Hudd plays Bottom in Ian Talbot's production of A Midsummer Night's Dream, which can also be seen on Mon, Tues and Wed next week (071-486 2431)

For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ NEW YORK

MUSIC

Avery Fisher Hall 20.00 Cleveland String Quartet plays Beethoven's Quartet in F Op 95, and is joined by Richard Stolzman in Mozart's Clarinet Quintet and by Horacio Gutierrez in Mozart's Piano Quartet in E flat. Tomorrow: Pinchas Zukerman is conductor and violin soloist in a Haydn and Mozart programme with the Mostly Mozart Festival Orchestra. Mon, Tues and Wed: concerts with Jean-Pierre Rampal (875 5030)

New York State Theater 20.00 Guido Ajmone-Marsan conducts Jonathan Eaton's production of Turandot, designed by beni Montresor. Rebecca Copley sings the title role, with Michele Boucher as Liu and Antonio Barasorda as Calaf, repeated Sun matinee. Tomorrow: La traviata. Sat matinee: Sondheim's A Little Night Music. Sat evening: Richard Bradshaw conducts new production of Cav and Pag (870 5570)

OFF BROADWAY THEATRE

● Prom Queens Unchained is a musical comedy about a senior high school prom queen competition in 1959, with a wide range of fifties sounds by Keith Herrmann, directed by Karen Azenberg (Village Gate Downstairs, 160 Bleecker Street, 475-5120).

● Lips Together, Teeth Apart is Terence McNally's play about two married couples sharing a Fire Island beach house over a long Fourth of July weekend (City Center's Stage I, 131 West Fifty-fifth Street, 581-7907).

● The Good Times Are Killing Me is Linda Barry's play with music, directed by Mark Brokaw, about the coming of age of two girls, one black and one white, as they explore the mysteries of adolescence, divided families and racism (Minetta Lane Theater, 18 Minetta Lane, 420-8000).

● Forever Plaid is a musical comedy written and directed by Stuart Ross, about a semi-professional harmony group whose opening tour is cut short in a fatal car accident, and who are allowed one night back on earth to finish the show (Steve McGraw's Place, 158 West Seventy-second Street, 595-7400).

● Ticketron answers inquiries and sells tickets (246 0102)

■ PARIS

Auditorium, Forum des Halles 20.30 Harpsichord recital by Virginia Black, including works by Domenico Scarlatti, Rameau and Byrd. Mon: concert of piano trios with Jean-Louis Haguenauer and friends (4804 9801)

A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ ROME

Caracalla 19.15 Concert by soloists of the Teatro dell'Opera, followed at 21.00 by Aida conducted by Nello Santi, staged by Silvia Cassini, with a cast including Maria Chiara as Aida, Bruna Baglioni as Amneris and Nicola Martinucci as Radames. Sun: Zorba the Greek ballet. The Caracalla Festival continues till August 21 (488 3641)

■ STRATFORD

Royal Shakespeare Theatre 19.30 Twelfth Night directed by Griff Rhys Jones and designed by Ultz, with Jane Gurnett as Olivia, Sylvestra Le Touzel as Violam Terence Hillyer as Orsino and Tim McInnerny as Sir Andrew Aguecheeck. Repeated tomorrow and on Mon, Tues and Sat next week. Sat matinee and evening: Henry IV Parts 1 & 2, with Robert Stephens as Sir John Falstaff (0789-295623)

Swan Theatre 19.30 Shakespeare's early romantic comedy The Two Gentlemen of Verona, the RSC's first full production of the complete play for 20 years, directed by David Thacker, also tomorrow and on Mon, Tues next week. Sat matinee: Thomas Shadwell's comedy The Virtuoso (1676). Sat evening: John Ford's 'Tis Pity She's A Whore (0789-295623)

■ VERONA

Arena The programme this weekend consists of Turandot with Grace Bumbry (Fri), Rigoletto with a cast led by Leo Nucci, Salvatore Fisichella and Alida Ferrarini (Sat) and Nabucco with Sylvano Carroll in the title role and Linda Roark Strummer as Abigaille (Sun). Performances continue till the end of August (045-590109)

■ VIENNA

Konzerthaus 20.30 Vienna Hofburg Orchestra plays waltzes and operetta favourites, with vocal soloists, repeated on Sat. Tomorrow: Vienna Mozart Orchestra in period costumes (587 2552)

Nationalbibliothek 20.00 Manfred Huss conducts the Haydn Sinfonietta of Vienna in a programme of music by Haydn and Mozart (825208)

Rathausplatz 20.30 Opening of Mozart Video Festival, a nightly screening of films of major opera house productions, runs till Aug 24. Tonight: Johannes Schaaf's Salzburg production of Entführung. Tomorrow: Marco Arturo Marelli's Volksoper production of Cosi fan tutte. Sat: Jonathan Miller's Figaro production for the 1991 Vienna Festival. Later in the festival there will be a chance to see videos of Mozart productions by Ponnelle, Karajan, the Herrmanns and Ingmar Bergmann (211140)

Schönbrunner Schlosstheater 19.30 Vienna Chamber Opera's German-language production of Le nozze di Figaro. Tomorrow and Sat: Don Giovanni. Season runs till Aug 15 (824566)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Eurosport
0600-0630 International Business report

CNN
0500-0530 Moneyline
0600-0630 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
0700-0830 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0800
2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
0830 & 2030 (Thurs) Financial Times Business Weekly

Sky News
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY

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0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
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1930-2000 FT Business Weekly
2330-0030 FT Business Weekly

Sky News
1030-1100 FT Business Weekly

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Thursday August 1 1991

BCCI is no phoenix

THE HIGH COURT'S decision to postpone the winding up of BCCI for four months may seem like good news for the bank's thousands of depositors in the UK, because it keeps alive a flicker of a chance that the business will be salvaged. But it is more likely to raise false hopes which could add further complications to this already horrific affair.

For the large majority of UK depositors, it will make no immediate difference at all. The terms of the £50m tide-over package proposed by the Abu Dhabi shareholders mean that depositors with less than £6,666 in the bank – or 80 per cent of them – will get exactly the same amount as they would had the bank been wound up and the Deposit Protection Fund been brought into play immediately.

Larger depositors will actually get much less straight away. People with £20,000 in the bank will get only £5,000 compared to the £15,000 they would have received from the Fund. They will get more later, but certainly not till December and since the scandal is only beginning to unravel, anything could happen in the meantime. The only obvious immediate beneficiaries are the employees whose jobs have been made a bit more secure.

The case for postponing the winding up is that it strengthens the chance of salvaging something from the mess. This is built mainly on the hope that some kind of new bank can rise, phoenix-like, from the ashes with the help of the ruler of Abu Dhabi.

Other resurrections

Such resurrections have occurred in the past, it is true. Banco Ambrosiano, struck down by scandal in Italy in the early 1980s, re-emerged as Nuovo Banco Ambrosiano and now thrives. But the scale of the BCCI catastrophe is of a wholly different order. Although it is hard at this stage to calculate the sums that would be needed to plug the deficit in BCCI and provide it with sufficient capital to begin a new life, they would clearly run into the billions of dollars. That is always assuming that the banking supervisors would authorise a new bank with such tainted origins.

There are other possibilities – merger with another bank, break up and disposal, absorption by a newly-created banking entity – but all look most unlikely. Not least among the complications are the suits launched against BCCI by the US authorities earlier this week, and the $200m fine being sought by the Federal Reserve.

However there is another disturbing aspect to the court's decision, and that is the one of fairness. Why should depositors in England benefit from the largesse of the Sheikh when depositors in many of the other countries (even Scotland) in which BCCI operated stand to lose much of their money? Some countries have no deposit protection at all, and it would not be surprising if depositors all round the world now raise a clamour for a hand-out of their own.

Equal treatment

This will make still more difficult the task for Mr Brian Smouha, the provisional liquidator, one of whose responsibilities is to ensure that all the bank's creditors receive equal treatment. Mr Smouha welcomed the court decision because it gives him a breathing space to sort out the bank's future. Yet it would be within his powers to negotiate a reconstruction of the bank with a winding-up order in place, while still ensuring fair shares all round. One thing that can be said for the postponement is that it may help to preserve the value of whatever BCCI assets are still whole: in a liquidation, banks' assets (loans) are notoriously difficult to collect. It may also have been the only way to retain Abu Dhabi's commitment to BCCI. But who can judge the nature and strength of that commitment after all that has happened in the last four weeks?

Although the Bank of England emerged the loser from the High Court, the decision, ironically, bears out the Bank's contention that legal proceedings need to be broached with great care. One reason why the Bank took so long to shut BCCI down was the lack of hard evidence of fraud which would stand up in court.

Veteran at the Bundesbank

MR HELMUT Schlesinger succeeds to the Bundesbank presidency today in a buzz of market speculation that he will start his all too brief term with a rise in interest rates to prove his credentials. Yet nobody, surely, has ever assumed a senior office with less to prove. After a career of nearly 40 years with the bank, half of them as a member of the directorate, and as vice-president for the last 11 years, he has long been a fixed star in the monetary sky.

He is reputed to be tough. He was blamed in 1982 for bringing down a Social Democratic government and in 1987 for provoking a world stock market crash. In fact he is not so much tough as better informed than any of his critics – or, for that matter, than any of his uncritical admirers.

He lives and breathes economic statistics, reaches firmly-based conclusions, and acts on them. Intellectually, he is very much akin to his opposite number at the Federal Reserve, Mr Alan Greenspan. As the voice of economics on the Bundesbank Council, he has been known for uncompromising statements; as president of a group of strong-minded individuals he will probably be constrained, as Dr Greenspan has been, to seek consensus.

Forbidding situation

On the face of it, the situation he inherits is forbidding. German inflation is rising, the balance of payments is in deficit, and the federal budget is disarray – very much the same troubles which the retiring Mr Karl-Otto Pöhl found when he himself assumed office. The Bundesbank has already published its wish-list: inflation below 4 per cent (it is now running at 4.5 per cent); wage increase below 6 per cent (now running, at a delicate stage in the wage round, at 7); and a federal budget deficit below DM140bn (which is clearly going to be widely overshot). A gesture of disapproval would clearly be perfectly appropriate, and is already discounted in the markets.

Mr Schlesinger has already hinted at such a move by pointing out the unusually wide gap between the official discount rate and the commercially-influenced Lombard rate – thus in effect encouraging the markets to lead the way to an increase. There is now a fear that wage bargainers may try to claw back the modest rise in indirect taxes which have been imposed to recover some of the costs of reunification. A warning on this score could well be timely.

Desired effect

It is not clear, though, that anything more than a gesture would be required. The latest projections show that the quite tight policies which have been followed for many months are having the desired effect. Monetary growth has been subdued in recent months, and the new IFO economic institute projection shows the economy in what was West Germany slowing sharply from an annual growth rate of 4.5 per cent in the first half of this year to 2 per cent in the second, and perhaps as little as 1.5 per cent next year. Inflation will remain a concern, but the underlying trend is thought likely to peak next year at a 4 per cent annual rate before beginning to subside.

Meanwhile, there are now some early signs of revival in the east, where output is likely to fall by a quarter this year. The growth projected next year will restore less than a third of what has been lost, and clearly one aim of policy must be to maintain steady conditions is which this revival can be expected to take a firmer hold. With the broader national responsibilities which the Bundesbank now carries (and the enlarged council which goes with them), it cannot be expected that policy will simply be a projection of the past.

In any case, the Bundesbank also shares international responsibilities in a world in which the recession in the English-speaking countries is proving unexpectedly obstinate, and in which excess German demand offers some welcome relief – points which are stressed in the Bundesbank's own commentary on the policy background, a draft which Mr Schlesinger no doubt checked in person. He is not likely to fall victim to his undeserved reputation for simple-minded toughness, even if the market tries to impose it on him.

William Dullforce on Switzerland's 700th anniversary celebrations

Angst in the Alps

Zurich will have been woken today by a 23-gun salute, one for each Swiss canton. Later 550 Alphorns will boom across the mountains linking Montreux and Basle with Küssnacht in the the canton of Schwyz, the country's heartland. Three ships this morning will be deployed to take the seven members of the federal council (government) and 1,800 Swiss and foreign guests across the Lake of the Four Cantons to the Rütli meadow, where on August 1 1291 the peasants of three mountain valleys struck the alliance which now marks the birth of the Swiss Confederation.

Incomparable organisers, the Swiss are celebrating their 700th anniversary in style after an 18-month prelude of inter-cantonal quarrelling, abuse from their intellectuals and an odd decision to ban a parade by their citizens' army. Today's celebrations are the culmination of several weeks during which Swiss folklore – wrestling, Alpine cow combats, yodelling – has been supplemented by countless locally arranged special events and exhibitions featuring (inevitably) Wilhelm Tell.

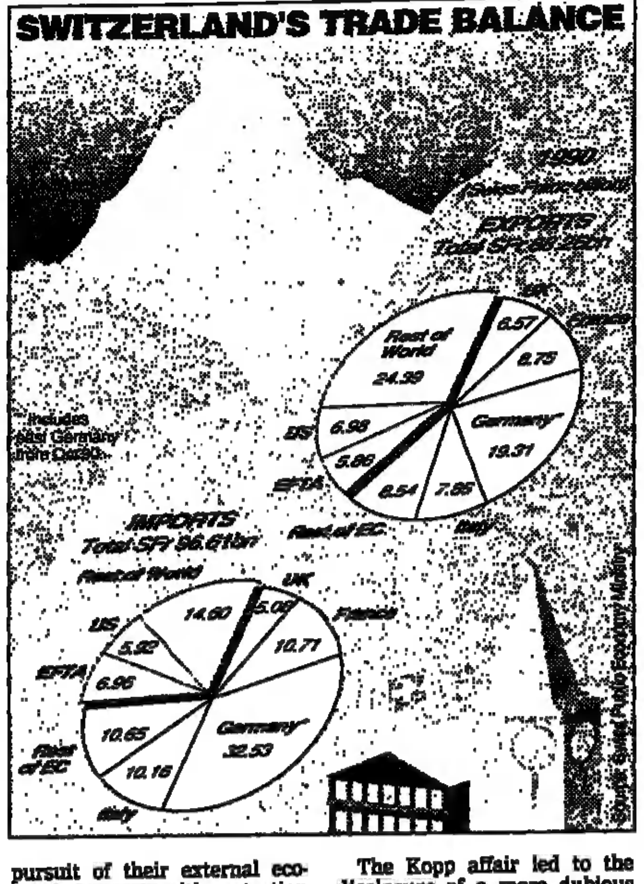
What matter that Tell never existed or that historians contest the selection of the Rütli pact, one of several from the period, to mark the founding of the Confederation? Many Swiss clearly feel the need to steep themselves in their myths and legends this summer.

Understandably so, for their identity as a *Sonderfall*, a special case among nations, has never been so sharply queried since they put their unique political system in place in the federal constitution of 1848. For months before this anniversary Swiss politicians, businessmen and media have been indulging in untypical soul-searching about their ability to continue shaping their own future.

The collapse of communism, east-west detente, the dismantling of international financial barriers, and, above all, the nature of their future relations with the European Community are forcing the Swiss to think again about cherished values.

This introspection notwithstanding Switzerland remains a great success story. By sheer hard work – and cussedness, some of their neighbours would say – a people with no natural resources apart from mountain valleys that allow hydro-electric power generation has been able to achieve Europe's highest per capita income. The Swiss run big multinational companies in chemicals and engineering; Switzerland is home to the world's biggest foods group (Nestlé); their banks and insurance companies have an international importance quite disproportionate to the nation's 6.5m population.

This material achievement has been favoured by three elements. Internally, the Swiss devised a system, based on direct democracy, that preserved cohesion between four language groups (German, French, Italian and Romanche) and two religions and ensured political stability. Externally, they backed their neutrality with a well-armed militia army which has helped them to stay out of the wars that wracked the continent. Finally, they combined a faith in private enterprise and single-minded



pursuit of their external economic interests with protection for domestic cartel-like practices that effectively sheltered their enterprises from foreign dominance.

With some stretching of the historical evidence it is possible to argue that all three elements existed in embryo in 1291 in the valleys of Uri, Schwyz and Nidwalden. Their peasants were free and a rudimentary democracy prevailed. Their federalist instinct was shown in the readiness of valley communities to make alliances with cities on the plateau. Resistance to foreigners was certainly present. And clearly the peasants were defending their economic interests; they intended to keep control of the Alpine route over the St Gotthard pass and retain access to northern Italy, then the most highly developed part of Europe, for their cattle-raising products.

But in 1991 these components in Switzerland's make-up are exposed to challenges that have already caused unusual political and economic upheavals domestically in the last two years. Mrs Elisabeth Kopp, the country's first woman cabinet minister, was forced to resign as justice minister, because of an indirect link to a scandal involving the laundering through Swiss banks of the proceeds of international drugs trafficking.

The Kopp affair led to the disclosure of a more dubious facet to the Swiss success story – the existence of secret police files on the political affiliations and activities of nearly one in six Swiss and of a secret army intended to resist an eventual occupying power. In neither case, it appeared, did government ministers know what was going on.

Attitudes towards the militia army, the backbone of Swiss neutrality, foreign policy and internal ethnic cohesion, have changed markedly. Some 36 per cent of voters supported a proposal to do away with the army in a referendum last year. The government now says it plans to reduce its strength from 625,000 to 400,000, to review its objectives.

Public dissatisfaction has prompted proposals for a revamping of the political system which would diminish the powers of the cantons, which would have been unthinkable only five years ago. Members of the federal council have suggested that the constitution be revised. Other politicians have called for the consensus approach to be abandoned in favour of a system allowing for a government and opposition which could remove the government by securing enough votes in parliament.

Effectively, this would mean the demise of the four-party coalition between groups from the right, centre and Social Democrats which has governed Switzerland since 1959. For a people which has made political stability a priority implementing such proposals would amount to a minor earthquake.

In the economic dimension Swiss secretiveness in business and banking is being undermined. Companies are having to tell shareholders more, pay them higher dividends and bring their public accounting more in line with EC practice. Price-fixing cartels in banking and insurance have been broken up. Bank secrecy has been curbed, though not destroyed, by new laws on insider trading and money-laundering and the banning of lawyers' right to deposit clients' funds with the banks anonymously.

Among all the external influences compelling change the advent of the European single market in 1993 looms largest. Of the six countries in the European Free Trade Association (Efta) negotiating the formation of an 18-nation European Economic Area (EEA) with the EC, Switzerland has been toughest in seeking exemptions. And with good reason.

Economically, Switzerland and the Community are already tightly bound; 57 per cent of Swiss exports go to EC countries, from which Switzerland takes 71 per cent of its imports. But for the Swiss the real issue is political.

The movement within the Community towards political union is incompatible with Swiss direct democracy, where any decision can be subjected to a popular referendum in which it would have to be approved by a majority of the 23 cantons as well as an overall majority of voters. A federal council decision to sign an EEA agreement would itself call for a referendum; at present it is highly unlikely it would win support from enough of the more numerous German-speaking cantons. The wilfulness of the Swiss voters was illustrated in 1986 when they voted against joining the United Nations.

Even an internationalist such as Mr Fritz Leutwiler, former central bank chief and debt crisis negotiator, balks at the political leap that adhesion to the EC would require. "Federalism is a matter of survival for a country that is a union of cantons and linguistic regions," he says.

Moreover, the Swiss have yet to settle one outstanding bilateral problem with Brussels, which emotionally takes them back to 1291, when the peasants of Uri, Schwyz and Nidwalden joined to keep control of an alpine pass and founded the Confederation. Now, the same cantons lead the resistance to the EC's demand that Switzerland open the road through the St Gotthard tunnel to lorries weighing 40 tonnes.

On their 700th anniversary the Swiss are divided and anxious. Some, like Mr Leutwiler, believe the country should independently liberalise its economy and free itself of its cartels, keeping pace with the EC economically while taking time to adjust its political institutions. Others, including many young businessmen especially those from the frontier cantons of Geneva, Basle and Ticino, think Switzerland cannot afford to remain isolated and should apply to join the EC now.

BOOK REVIEW

Transforming the banks

THE FUTURE OF BANKING
By James L Pierce
Yale University Press. 163 pages. £16.95

Central bankers have produced two remedies for the ills that beset the world banking system: risk-adjusted capital adequacy standards and consolidated supervision. The logic of Professor James Pierce's study for the Twentieth Century fund is that both are misguided.

The first of these two remedies means that banks must hold capital that meets a certain percentage of their liabilities, with those liabilities weighted according to their inherent riskiness. The second means that international banks should be supervised as a consolidated whole by their home-country authority.

On the first point, Prof Pierce is brisk: "The risk-adjusted capital adequacy standards are already distorting and overly complex, and they will probably become even more so over time as the regulators respond to banks' attempts to circumvent them. This unhappy cycle is likely to break down eventually."

He does not address the second point, the doctrine of consolidated supervision, directly; his book is mainly concerned with US domestic issues. But a central theme of his argument is that regulators have bitten off more than they can chew. In their desire to protect and regulate those parts of the banking industry that are essential to the monetary system, he says, regulators have found themselves extending their supervision ever wider. They are saddled with supervising activities which are quite irrelevant to the central issue of preserving the monetary system.

Consolidated supervision of international banks is a logical consequence of this approach, just as consolidated supervision of bank holding companies has been a logical consequence of the way the US authorities have regulated domestic banking. The current structure of banking regulation is inevitably doomed to fail – not least because "government supervisors who interrogate bankers earn maybe sixty thousand dollars a year; the people they question often make ten or twenty times that and operate out of offices that make a regulator's quarters look like a shelter for the homeless".

Enough, says Prof Pierce: "The government must stop *trying to police everything* related to banking and to prevent all banks from failing." It must share the burden of disciplining bankers with market forces.

This is less of a risk than it might seem, he argues, because the things banks do that have traditionally earned them their distinctive institutional position form a smaller and smaller part of their total activities. Prof Pierce estimates that at most 37 per cent of US banks' sources of funds are current or deposit accounts payable on demand. Most liabilities are unrelated to the payments system, he argues. On the other side of the banks' balance sheet, at most 18 per cent of bank assets, he says, are devoted to the kind of business lending that historically made banks special.

Small business lending, the one area in which banks have special expertise, "is probably less than 10 per cent of what the banking industry does. Is it really necessary to protect and regulate the other 90 per cent of bank activities to assure provision of this credit?"

His remedy, therefore, is to create a new insured, regulated entity, a monetary service company. This may be a bank subsidiary, a stand-alone operation, or part of any other commercial grouping. It can hold only money-market instruments such as commercial paper, treasury bills, and so on. It offers fully federally insured current accounts, and provides payments services. It cannot lend to its owners under any circumstances, and must be completely insulated from the liabilities of its parent. All other activities we currently think of as banking become uninsured, and their providers are regulated only by company and securities law, not by banking supervision.

Prof Pierce is seeking, with these proposals, to confine government regulation and insurance only to those activities – about 40 per cent of what we currently define as banking – which are essential to the smooth operation of the economy.

The approach is far more sweeping than the current US banking reform proposals, but it is one of a number of alternative ideas which seek to limit bank regulation and insurance to what is practically feasible. Without such an approach, the government's responsibilities expand without ceasing.

There is one weakness in what is otherwise an interesting, clearly written contribution to an important debate. This is the exclusive focus on US domestic issues, which stems in part from the belief that the tangled history of US bank regulation has been a principal contributor to current problems. It is certainly true that the way that the problems of the banking system manifest themselves in the US are shaped by the history of regulation there; but other countries have underlying problems that are very similar even though the symptoms are slightly different. More attention to international trends, and to the international implications of the author's proposals, would have greatly strengthened the argument.

Peter Martin

OBSERVER

Third time lucky?

■ Abbey Life, Hambro Life and now J Rothschild Assurance. Why does South African born Sir Mark Weinberg, probably the most successful entrepreneur in his business, want to start yet another life insurance business at a time in life when others are retiring or at least trying something different?

Even if he made only £5,000 from his first venture, he made a fortune when he sold out to BAT. A trustee of the Tate, joint chairman of the Per Cent club, and a deputy chairman of Business in the Community, Weinberg has all the trappings of the establishment. However, he has been quietly disengaging himself from these good works in preparing to take a full- time job again as executive chairman of Lord Jacob Rothschild's St James's Place Capital.

Although he stresses he parted company with BAT amicably, one senses that he and Lord Rothschild – part of the unsuccessful Hoylake attack on BAT – are out to settle some old scores. Weinberg, who had links with both sides, had to stand down from the BAT board for the duration and was never invited back. If he had, BAT's Allied Dunbar would probably not be facing him as a competitor.

Despite their establishment connections, Weinberg and Lord Rothschild remain outsiders. Why else would they promote their new venture by describing Weinberg's last initiative as "perhaps the most successful financial institution established in this country in the past 50 years".

Disorientated

■ Students of far eastern affairs are hard-pressed to know which are the more confused: the chickens of Australia, or the citizens of Singapore.

Antipodean hens are distracted from laying by the weather effects of long-range fall-out from the Philippines volcano eruption, which in some places is lengthening daylight by nearly two hours.

Singaporeans are befuddled by a surfeit of governmental do-gooding campaigns. For instance, asked which were running in July, a sample citizen cited the Speak Mandarin campaign, but he was wrong. That doesn't start until September.

The right answer was National Courtesy Month in conjunction with the Keep Public Toilets Clean campaign punctuated by Community Week and the 10th anniversary of the Productivity Movement.

Previous exercises have included a Killer Litter campaign against the dropping of junk from high-rise flats, as well as drives to get Singaporeans to smile more, spit less, smoke not at all, and have fewer children - which they did so dutifully that they were soon under pressure to have more.

Hard case

■ Sir Norman Payne felt it time to wave goodbye to his beloved British Airports Authority this week. But not so Sir Robert Scholey, the bluff boss of British Steel who is all of a day older.

Scholey still seems to enjoy life at the top, and by all accounts he gave his militant Scottish shareholders a good thrashing at yesterday's annual meeting. Which leaves a hard case to crack for anyone trying to detect who'll be British Steel's next chairman.

Dr David Grieves's promotion to the vice-chairmanship is almost certainly a false trail. An elder statesman figure, he has been on the board since 1983 and has taken on more

responsibilities following the surprise departure of Martin Llowarch, Scholey's apparent successor, in June.

Sir Ronald Halstead is non-executive deputy chairman but he doesn't seem a natural successor to the 69-year-old Scholey. RTZ's Sir Derek Birkin would be a more interesting choice - provided, of course, that Scholey is not intent on hanging around as long as 73-year-old Lord King of British Airways.

Fresh tack

■ Quite a change of corporate culture for Peter Macfarlane in his move as finance director from the engineers of Rolls-Royce to the marketers of Allied-Lyons. But so long as nobody insists he drinks his new group's Kahlua coffee-based liqueur, he sees no problems on that score.

"From one business to another, the finance functions are concerned with common criteria; return on capital employed, interest cover...", he says.

He also strongly supports Allied's policy – in contrast to that of Guinness and Grand-Met – of steadfastly refusing to put its brands on the balance sheet. "Nobody has yet come up with a satisfactory way of measuring brand values," he thinks. "Present methods seem too subjective."

Macfarlane will restore some of the sailing skills that the Allied board lost with the departure of Sir Derrick Holden-Brown. He is sailing his Sigma 38 to northern Spain this weekend for a holiday.

"A competitive sailor who usually comes last", is how he describes himself. But he gives the impression that, once under way, he's unlikely to take a lee berth in the boardroom.

Also ran

■ Wolverhampton Racecourse may seem the last place to look for significant currency movements. The EBF Sleeping Beauty Maiden Stakes there, however, proved otherwise. For among the 100-1 shots was lurking a filly by name of Sterling Prospect.

Alas, she lived up to her long odds and finished down the field. The Sporting Life described her race thus: "Prominent three furlongs . . . weakened quickly, well behind final three furlongs."

The winner?

Why, Bundesbank, of course, the odds-on favourite who "ran on gamely" under champion jockey Pat Eddery.

Elitist

■ Richard Branson's Virgin Atlantic airline has won numerous awards, but its staff can go too far in using its name colloquially. Or so Branson was told by Labour MP Gwyneth Dunwoody when he appeared before a parliamentary committee.

While "Virgins this way!" might be a permissible way to call passengers to their flight, she suggested, "First-class virgins this way!" was gilding the lily.

ECONOMIC VIEWPOINT

The golden rule of boom and slump

By Samuel Brittan

The most level-headed assessment of the British economy is that the recession has hit bottom, and that there are some slight hopes – not much more – of an upturn. The remark in the Confederation of British Industry's new Economic Assessment about "some flickering signs of revival" of consumer demand hits the right note. But such are the lags in the data – and in the business mood – that we will only know when recovery is well under way.

The conventional view is that the upturn when it comes will be modest. But that is in the nature of upturns, which start off looking too feeble and end up looking too vigorous.

Meanwhile, the seasonal adjustments of the Central Statistical Office show that the apparent deterioration in the forward-looking elements in this week's CBI survey are mostly seasonal. The government – and more important the British economy – pay a heavy price in lost confidence for the CSO's overfastidiousness in not publishing [redacted] adjustments. Even on [redacted] adjusted basis, however, the CBI survey disappointed those looking for positive [redacted]firmation of recovery.

The mainstream case for an upturn is based on the link between falling

There is a chance that sterling's positive interest rate differential over the D-Mark's will vanish temporarily or reverse

inflation, lower interest rate, and a falling personal savings ratio – now temporarily regarded as a good thing. The sceptics fear that rising unemployment will both put a brake on incomes and induce caution among those who remain at work. I know of no *a priori* way of deciding between the two schools; and my main reason for believing that recession will be succeeded by recovery is that this is what has nearly always happened in the past.

Fortunately for [redacted] boredom threshold, [redacted] never work out exactly as expected. It is even possible, [redacted] my colleague Peter Norman [redacted] on this page [redacted] Saturday ("South-east's [redacted] road [redacted] recovery"), that the next recovery will – despite the European economic slowdown – be export-led. The Treasury forecast does show a marked export spurt in the first half of 1992, but offset by a comparable rise in imports. Yet exports may be better than expected, and imports may not rise so much. For during the last two years, business has been consistently more optimistic (or less pessimistic) about exports than about the economy in general.

As Michael Saunders of Salomon Brothers remarks: "The divergence between export prospects and the domestic economy points to further narrow trade deficits in coming months, as slack domestic demand will restrain imports. Competitively-valued sterling and improving [redacted] offering a lifeline to UK-based manufacturers, and [redacted] major reason why the current [redacted] less severe [redacted] manufacturing [redacted]try than the [redacted]

These are words which members of [redacted] red-black coalition – [redacted] allies from [redacted] of the political spectrum [redacted] sterling [redacted] overvalued because of ERM entry – [redacted] learn by [redacted] repeat.

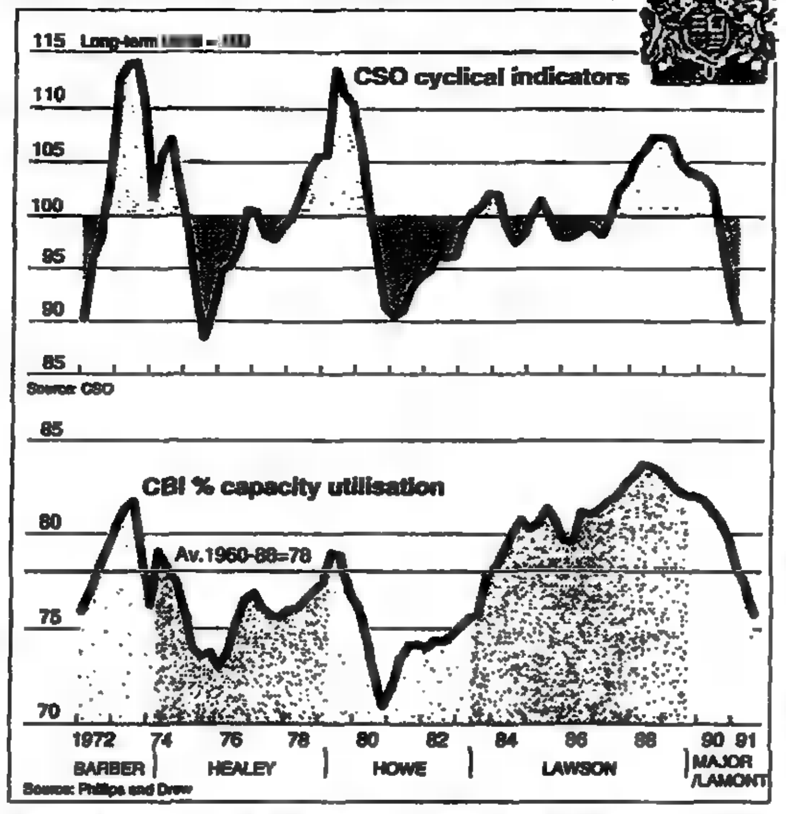
The [redacted] for [redacted] bets are financial and international. So far there is nothing abnormally low about UK monetary growth, if one is [redacted] about keeping inflation down more than temporarily. The government's favoured aggregate M0 (basically [redacted] and coin) [redacted] in [redacted] by [redacted] – the [redacted] of the [redacted]. Its growth has indeed [redacted] what speed[redacted] up in [redacted] last [redacted] months.

[redacted] broader [redacted], *M4*, [redacted] been rising by [redacted] to 8 per cent. This is [redacted] the double digit [redacted] of expansion seen in [redacted] surely not deflationary. Any attempt [redacted] fine-tune [redacted] cycle [redacted] moreover boomerang dangerously. The one UK indicator on which I would keep [redacted] wary [redacted] and building society lending. [redacted] called [redacted] Bank of England the "[redacted] counterpart [redacted] M4", but [redacted] short term it leads [redacted] life of its own. Although [redacted] by a respectable 9 per [redacted] over [redacted] growth diminishes steadily [redacted] shorter the [redacted]

Those who assert [redacted] real money supply [redacted] growing [redacted] slowly inevitably [redacted] on past inflation data, [redacted] object of policy to reduce. Looking at nominal money supply, as one should, the main country suffering from a credit crunch is Japan, where broad money growth has dropped like a stone. Pan-German money supply growth rates have also been slightly below target, but velocity is not so stable that one can forget other pointers towards rising inflation.

A similar impression is given by the more common sense Dunn and Bradstreet international business expectations survey. Worldwide, sales optimism is stable or rising. But it has dropped heavily in Japan and Germany (and also Switzerland and Brazil). [redacted]ally, [redacted] slightly [redacted] "optimistic" [redacted]

Two views of UK economic cycle



increasing prices; but the change has been too modest to expect anything other than lower inflation.

[redacted] German slowdown [redacted] adverse factor for [redacted] neighbours, even if [redacted] capacity rather [redacted] demand constraints; or if the combination of economic slowdown and rising inflation, known in other countries as stagflation, makes a monetary tightening more likely than a stimulus. [redacted] British government will wisely hold its fire on base rates until it [redacted] what [redacted] Bundesbank, [redacted] its new president, Helmut Schlesinger, deci[redacted] about German monetary policy after the August holiday. In the end the Bank of England may find that it has a surprising amount of headroom to reduce base rates further.

Normally the dramatic narrowing to [redacted] per cent of the short-term interest [redacted] differential between Britain and Germany would indicate that the end of the road was in sight for further base rate cuts. In fact the situation is anything but normal. Quite soon in the next few months the headline UK inflation rate will be below the headline German rate. The crossover will reflect favourable distortions in the British headline figures and unfavourable ones in the German figure. But underlying inflation, at least in the traded goods sector, should converge. German pay settlements in manufacturing have already overtaken British ones; and one in five British companies have imposed pay feezes.

There is thus a chance that sterling's positive interest rate differential over the D-Mark's will temporarily vanish or even go into reverse. It is, however, in [redacted]veryone's interest that Germany should overcome its unification problems without making more than a temporary dent in its price stability [redacted] For [redacted] a [redacted]sion [redacted] suppose [redacted] any other [redacted]try could replace it as the anchor in [redacted] function without one.

* * *

Speculation about the the timing [redacted] shape [redacted] recovery [redacted] mug's [redacted] Far [redacted] is [redacted] see where the UK has reached in the business cycle in [redacted] of [redacted] capacity and [redacted] in the [redacted]. The top chart, based [redacted] CSO data, simply plots deviations from a [redacted] moving [redacted] us little [redacted] the [redacted] amount [redacted] output [redacted] bump along the [redacted] for several [redacted] pseudo-recovery [redacted] shown, as the trend [redacted] downwards. The main value of the chart is [redacted] its mechanical, robotic quality.

Unemployment [redacted] be a standard [redacted] but [redacted] changes in [redacted] labour [redacted] have altered [redacted] jobless. I have [redacted] for the [redacted] an index [redacted] capacity [redacted] by [redacted] Brown [redacted] Phillips [redacted] Drew on the basis of answers to [redacted] question on [redacted] subject.

The [redacted] give somewhat different results. [redacted]

When the pressure of demand reaches a critical level, inflation speeds up. Below that level, it slows. This is [redacted] golden rule

[redacted] smaller [redacted] Healey [redacted] gives the opposite impression. [redacted] a very [redacted] shape [redacted] the UK cycle.

They [redacted] golden [redacted] understanding economic [redacted] when [redacted] pressure of [redacted] capacity [redacted] a [redacted] level, [redacted] When [redacted] sufficiently [redacted] that level, [redacted] level is.

The Treasury's [redacted] the level [redacted] capacity operation [redacted] end [redacted] 1990 was [redacted] the equilibrium [redacted] would [redacted] rise nor fall. Whether [redacted] right [redacted] wrong, we can be pretty sure that the [redacted] operating [redacted] that critical level in 1988 and is below [redacted] today.

[redacted] why the CBI [redacted] to report "the [redacted] expected price [redacted] years". [redacted] factory [redacted] prices [redacted] now rising by only [redacted] per cent on an [redacted] – [redacted] shown by [redacted] normal year-on-year comparison.

Just as the rise in inflation led to a slowdown [redacted] recession, the fall in inflation will create the conditions for recovery – whether that recovery is natural or policy-induced or a mixture of both. Hang [redacted] to this [redacted] and you know the essence of macro-economics. The rest is commentary.

LOMBARD

True blue but green at heart

By Bridget Bloom

Margaret Thatcher [redacted] a good chemist but she has [redacted] a country person, who understood and felt deeply about [redacted] things, as I did."

[redacted] sentence? Not, [redacted] might think, Sir [redacted] Barber, former chair[redacted] of the Countryside Commission, [redacted] some other such green-wellied figure, but Mr Nicholas Ridley, the former prime minister's controversial environment [redacted]

Conservationists frequently [redacted] with Mr Ridley [redacted] they fought [redacted] plans for new towns in the countryside, for nibbling [redacted] the [redacted] favouring farmers [redacted] wanted [redacted] turn fields into golf [redacted]

So they [redacted] others may [redacted] with some disbelief Mr Ridley's impassioned chapter on his stint [redacted] environment in [redacted] the Thatcher [redacted] himself in [redacted] hues, [redacted] "countryman" through and through who, [redacted] lad, [redacted] during [redacted] holidays "with farm work[redacted] the woodmen, the [redacted] or [redacted] gardeners ... thus I knew exactly how [redacted] balance of [redacted] rural [redacted] worked".

For [redacted] man [redacted] loves [redacted] countryside, Mr [redacted] things [redacted] happen there. [redacted] his most [redacted] ideas was to be found in a consultative paper [redacted] in [redacted] proposed "to [redacted] burden [redacted] planning [redacted] on farmers [redacted] alternative uses [redacted] surplus agricultural [redacted] and buildings".

This [redacted] have allowed [redacted] establish, [redacted]out planning control, such enterprises as equestrian centres, country, theme or amusements parks, zoos and safari parks, flying, ballooning and parachuting establishments, along with [redacted] parks and [redacted]

The document caused barely a ripple in the wider world, but the rural lobbies were up in arms. The Council for the Protection of Rural England, for example, said it posed the most serious threat yet to the beauty of the landscape. Even the National Farmers' Union thought such a policy of unfettered development might re[redacted]

In September 1989, after Mrs Thatcher had been converted [redacted] "green" issues, Mr Ridley [redacted] replaced [redacted] the DoE by Mr Chris Patten, a [redacted] "green" enthusiast, [redacted] the paper [redacted] withdrawn.

It has, however, fallen [redacted] the [redacted] regime [redacted] the DoE under Mr Michael [redacted] turn the affair almost full [redacted] and introduce stringent planning regulations for farmers.

Last month th[redacted] d[redacted]partment announced [redacted] English farm[redacted] would [redacted] subject to the [redacted] land-owners in the national parks. They [redacted] give notice [redacted] virtually everything they build to the local planning authority. If no objection [redacted] raised within [redacted] days, approval [redacted] deemed [redacted] been given.

This [redacted] as requiring [redacted] apply for planning permission, [redacted] course advocated by many conservationists (though such permis[redacted] will now [redacted] if the landowner has [redacted] or less). But [redacted] should [redacted] much-loved landscapes for a bit longer.

[redacted] broadly, [redacted] seems [redacted] First and critically, [redacted] is apparently part [redacted] reconversion [redacted] planning: Mr Ridley would have [redacted] all county development plans – country-wide plans covering industry, housing and leisure – greatly weakening [redacted] nation's [redacted] strategic planning system [redacted] virtually everyone [redacted] thought [redacted] strengthening.

Second, [redacted] turn-round [redacted] the strength of p[redacted] when public igno[redacted] profound. [redacted] 18m people [redacted] in rural Britain [redacted] weekend, but [redacted] many of them knew (for [redacted] was never in [redacted] election [redacted]ifesto) [redacted] who deemed [redacted] countryman [redacted] the carbuncling of [redacted] countryside?

In any case, it was not until effigies [redacted] Mr Ridley [redacted] burning in loyal [redacted] villages throughout the shires that the Tories realised the popularity of planning controls among their [redacted] supporters.

LETTERS

What about those owing BCCI money?

From Mr Kenneth C King.

Sir, In all I have read and heard of the BCCI affair, there does not seem to have been one word on the position of those who OWE money to BCCI. When I was a small shopkeeper, I never managed to be £80,000 in credit. In fact, I thought now all small businesses – and large? – were hopelessly overdrawn. What is happening about them?

I have a "Greencard"; a Mastercard credit card issued by BCCI. On Friday, July 19, I received my usual statement, requesting payment to "BCCI Card Center". Do I pay it? If I do, will the shops which supplied me with the goods receive payment? Or will they come back to me direct later, saying BCCI had defaulted?

Enclosed with the statement was an invitation inviting me to invest in the BCCI "Offshore Fund" based in the Isle of Man. This was July 19, remember! As I understood that the BCCI staff had lost their jobs, who is sending these out ? Is he/she not aware of the furore surrounding his/her employer? Do you think someone should tell him/her?

Kenneth C King,
54 Southridge Rise,
Crowborough,
East Sussex

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

British Gas challenged on contention that it is encouraging competition

From Mr Ian Powe.

Sir, Mr Robert Evans chose a good moment to declare ("A fair deal for gas consumers", July 30) that British Gas is doing all it can to ensure real competition in the gas contract market; the Office of Fair Trading report, soon to reach ministers, [redacted] carry [redacted]sage.

Notwithstanding any steps that British Gas takes, two factors which limit competition are a shortage of gas for competitors and an artificially structured market. In consequence, competitive gas suppliers cherry pick for the best deals; with limited volumes for sale, they [redacted] with annual offtakes of about 1m therms at high load factors [redacted] are not [redacted] far from the terminals in Scotland and East Anglia. Meanwhile, there are about 15,000 contract consumers, with loads of less than 1m therms, who simply have no choice but to buy from British Gas. Some are too far from the terminals to make them worthwhile customers for suppliers who must pay distance-related transport costs to British Gas for using its pipeline. Others are too close to [redacted] 25,000 therm threshold.

The worrying truth is that British Gas's *de jure* monopoly in the mainly domestic tariff market extends, *de facto* and too far, into the commercial and industrial contract market. The least that the OFT report should recommend is some "unbundling" and greater [redacted] transparency, in [redacted] integrated sectors [redacted] British Gas's [redacted]ply business, along lines favoured by the European Commission. Only then will [redacted] on [redacted] Mr Evans is right [redacted] claim [redacted] is no case "for [redacted] radical restructuring of the [redacted]

Ian Powe,
director,
Gas Consumers Council,
15 Wilton Road, London

From Mr Alan Marshall.

Sir, Mr Evans' claim that effective competition will be in place in 1993 on the grounds that gas supplied by competitors "will grow towards 25-30 per cent" in 1992, cannot go unchallenged.

A far better measure of effective competition is that no supplier, including British Gas, should have more than 25 per cent of the market – the usual level for an OFT evaluation. Until effective competition is well [redacted], [redacted] schedules, admittedly unsatisfactory, have [redacted] play.

Mr Evans' point that new supplies inevitably take time to come to market is important and well made. An assurance that the [redacted] arrange[redacted] will [redacted] until adequate new supplies are coming [redacted] would [redacted] been most welcome. Perhaps this will be forthcoming soon.

The article states that it is difficult to envisage what else British Gas could contribute to the development of real compe[redacted]. As an independent gas supplier, [redacted] would [redacted] willing [redacted] with Mr [redacted] a list [redacted] changes in British [redacted] approach which [redacted]

Perhaps, [redacted] importantly, [redacted] find themselves not enjoying any advantage [redacted] competition [redacted] helpful.

Alan [redacted]
managing director,
Associated Gas Supplies,
59 Markham Street, London

Green Paper on industrial relations does not reflect realities

From Mr John Marsh.

Sir, Mr Michael Howard, the employment secretary, really should [redacted] admit that the [redacted] on industrial relations [redacted] noth[redacted] with industrial relations and everything [redacted] do with his personal prejudices and [redacted] complete lack of understanding of [redacted] day [redacted] day [redacted] the workplace. Everyone I have spoken [redacted] past [redacted] days who has [redacted] anything [redacted] industrial relations is clear on this, whether they be management or union.

It speaks for [redacted] that [redacted] the proposed changes has any visible support [redacted] anyone [redacted] Institute [redacted]tors, an organisation which everyone but [redacted] government stopped listening [redacted] years [redacted]

Any trade union [redacted] who [redacted] her union and [redacted] paying subscriptions has only to write to their employer saying so. Mr Howard suggests (Letters, July 26) that employees may be paying union subscriptions without their knowledge, but the [redacted] plainly provides [redacted] all deductions [redacted] salary [redacted] clearly noted. [redacted] proposed requirement [redacted] authority [redacted] annually [redacted] nothing but a nasty spiteful attempt [redacted] in red tape.

As for the right [redacted] belong [redacted] the trade union of [redacted] choice, whatever happened [redacted] Tory complaints about [redacted] many [redacted] The plain [redacted] is [redacted] the [redacted] complaint [redacted] from employers [redacted] TUC's Bridlington rules [redacted] they are often not enforced as completely as they might like. Yet again this is a thinly disguised and cynical ploy to undermine trade unions and their ability to organise.

Far from being the nice little vote catcher, the Green Paper will be seen by all for what it really is – a triumph of prejudice, vindictiveness and stupidity over common sense, balance and reason.

John Marsh,
branch secretary,
Nalgo,
Haringey Branch,
2a Brabant Road, London

The trap of the FT-SE 100

From Mr David Fitzsimon.

Sir, The growing [redacted] given to the FT-SE 100 index as a measure [redacted] the [redacted] price performance of the top UK companies should give cause for concern. A typical example occurred on your front page of July 30 when you commented on the FT-Actuaries All-Share index hitting a new high, lagging behind the FT-SE 100.

As a short-term measure the FT-SE 100 [redacted] ideal and can [redacted] adjusted instantaneously for individual price changes. There would [redacted] no traded options series or futures market without it. As a longer-term measure, however, it is seriously flawed. Underperforming companies drop out to [redacted] replaced by growing and more successful companies. Over time this makes it a hard index to beat and it should in the long run outperform the All-Share.

Several commentators have fallen into this trap when using these indexes to compare the performance of the larger and smaller companies in the UK. Perhaps the smaller companies have not been performing so badly after all. What level the FT-SE 100 if it still included some of the original components – Barratt Development, Berisford et al?

David Fitzsimon,
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FINANCIAL TIMES
Thursday August 1 1991

Britain and France react coolly to German call for armed unit to help halt civil war

Peace force suggested for Yugoslavia

By Quentin Peel in Bonn, Robert Mauthner in London and George Graham in Paris

FORMATION [redacted] armed European [redacted] force which could be used [redacted] separate the warring factions in Yugoslavia [redacted] called for yesterday by [redacted] Volker Rühe, secretary general of Germany's governing Christian [redacted].

The proposal prompted [redacted] reaction from [redacted] officials. French [redacted] questioned under [redacted] control the [redacted] would [redacted].

Mr Rühe [redacted] the [redacted] should [redacted] up by the nine-member Western European Union (WEU), with [redacted] without [redacted] participation of Germany, *which is constitutionally* barred from sending [redacted] uniformed [redacted] country.

There [redacted] growing German anxiety [redacted] the [redacted] in Yugoslavia and frustration [redacted] failure of [redacted] European Community [redacted] more decisive action.

British [redacted] said [redacted] time [redacted] yet ripe for [redacted] patch of such [redacted] force, echoing [redacted] Monday by Mr Douglas Hurd, UK foreign secretary, [redacted] a European Community ministerial meeting [redacted] Brussels.

[redacted] priority [redacted] a [redacted] the [redacted] and [redacted] factions. That could not [redacted] brought about by military force, but [redacted] EC would [redacted] everything in [redacted] power to see it established by diplomatic means and [redacted] monitor it once [redacted] in place.

However, *Mr Hurd has not* [redacted] out in principle sending a peacekeeping force in [redacted] longer run. If it [redacted] to be a European force, it would have to be [redacted] the umbrella [redacted] the [redacted] European Union.

Mr Roland Dumas, French foreign minister, [redacted] last week said he was in favour of sending [redacted] buffer force, yesterday repeated his [redacted] *Yugoslavia might sink deeper* into civil war. He [redacted] the [redacted] objective must [redacted] an [redacted].

However, [redacted] yesterday indicated that [redacted] buffer force [redacted] require a new mandate from [redacted] Security and Co-operation [redacted] Europe (CSCE).

If the [redacted] to be [redacted] up, [redacted] would remain [redacted] *be decided* whether [redacted] under the aegis [redacted] the CSCE [redacted] of [redacted] WEU, [redacted] should [redacted] armed or uniformed.

Mr Rühe, who is the second-in-command [redacted] Christian [redacted] Chancellor Helmut Kohl, [redacted] in [redacted] interview yesterday: "I [redacted] a sceptic about [redacted] role of [redacted] observers," referring [redacted] the EC decision [redacted] up [redacted] observer [redacted] 50 to as many as 200. "Will they [redacted] to [redacted] into [redacted] areas [redacted] violence?

"It would be irresponsible [redacted] prepare for a [redacted] mission [redacted] WEU. I [redacted] think the UN will do anything. [redacted] must prepare something [redacted] might deter the atrocities and hostilities," he said.

Mr Rübe [redacted] the other members of the WEU, led by Britain and France, should not be deterred by the German [redacted] tutional difficulty [redacted] using [redacted] troops outside [redacted] Federal Republic.

Croatian National Guardsmen protect [redacted] convoy of refugees from the village of Kostajnica against Serbian snipers

Commission advises EC talks with Austria

By Judy Dempsey in London

THE European [redacted] it [redacted] advise European Community governments [redacted] negotiations [redacted] Austria [redacted] *admitting it to* [redacted] bloc.

"The opinion [redacted] Austria's application for membership) [redacted] essentially positive," Mr Frans Andriessen, the Community's External [redacted] Commissioner, [redacted] a news conference.

Mr Franz Vranitzky, the Austrian chancellor, [redacted] was "pleased" [redacted] the outcome. "We are [redacted] looking forward [redacted] starting the substantial negotiations as early as possible", he said in [redacted] from his holiday home in [redacted].

[redacted] Mr Andriessen said *negotiations with Vienna* should [redacted] begin for [redacted] two years [redacted] the Community [redacted] complete [redacted] on forging internal economic, monetary and political [redacted].

"[redacted] do [redacted] that it is [redacted] wise [redacted] negotiations before 1993, [redacted] the Council [redacted] states) will follow that position [redacted] I [redacted] not know," [redacted].

Austrian [redacted] had [redacted] concerned [redacted] the country's neutral status, linked to the withdrawal [redacted] troops from its territory in [redacted] would weaken [redacted] case [redacted] application for membership [redacted] it [redacted] in July 1989.

In particular [redacted] in [redacted] were [redacted] that [redacted] would question [redacted] Austria's neutrality [redacted] the [redacted] bloc's efforts [redacted] form [redacted] common foreign and security policy in the coming [redacted].

Ireland is [redacted] community's only neutral nation. All the others belong [redacted] Nato, the 16-nation western alliance.

[redacted] is [redacted] the six-nation European [redacted] has been working [redacted] ways [redacted] join the community's single market [redacted] in late 1992.

Mr [redacted] said [redacted] neutrality [redacted] pose [redacted] problem as the EC tries [redacted] a common foreign and security policy which France, Germany, Italy and others say [redacted] extend [redacted] defence matters.

However, Mr Vranitzky [redacted] terday stressed that Austria welcomed political union.

"Austria is not only looking for [redacted] advantages. We [redacted] the setting [redacted] the political union [redacted] in the process of [redacted] unity, and [redacted] country with [redacted] European orientation, we want [redacted] participate in it. We certainly [redacted] that this involves [redacted] obligations [redacted] we will certainly fulfil them", he said.

The "opinion" [redacted] the commission will [redacted] be [redacted] to the foreign ministers [redacted] the [redacted] nations.

An applicant must [redacted] approval [redacted] all members and by the European Parliament.

Famous names listed in Japan scandal

By Robert Thomson in Tokyo

MANY [redacted] Japan's leading [redacted] companies, [redacted] Buddhist movement and a collection [redacted] individuals, were [redacted] last night as having received unfair compensation from 13 large and medium-sized securities brokers [redacted] investment [redacted].

The 13 brokers said they reimbursed [redacted] clients [redacted] a total of Y43.7bn [redacted] for trading losses incurred until March last year, adding to [redacted] list of 231 customers given a total of Y128.3bn by [redacted] Big Four securities houses – Nomura, Daiwa, Nikko, and Yamaichi.

Several leading companies appeared on both lists, including Matsushita Electric Industrial, Hitachi, the electronics companies, [redacted] and Nip[redacted] Steel.

But most interest [redacted] night [redacted] focused on the Y457m received by [redacted] Gakkai, [redacted] lay Buddhist movement which [redacted] opposition Komeito, [redacted] Clean Government party. That link will be embarrassing next week when [redacted] scandal [redacted] discussed [redacted] an extraordinary sitting of parliament.

There was [redacted] widespread speculation that some [redacted] six individuals listed could be senior politicians, though it was unclear whether their identities would [redacted] revealed. They [redacted] identified by [redacted] initials or simply described as company directors.

The Japan Securities Dealers' Association [redacted] the publication [redacted] the new list of compensated clients showed that the practice was commonplace [redacted] industry.

The compensation is not illegal, although [redacted] Ministry [redacted] had [redacted] not to cover clients' losses, and [redacted] is illegal [redacted] promise reimbursement [redacted] before [redacted] investment is made.

Among [redacted] houses were [redacted] Japan Securities, Japan's fifth largest broker, [redacted] Kankaku Securities, as well [redacted] Securities, [redacted] Securities, and Sanyo Securities.

[redacted] executives [redacted] several of the broking houses [redacted] public apologies for [redacted] compensation and promised that [redacted] practice would not be repeated.

The Tokyo Regional Taxation Bureau has [redacted] some of the 13 companies to pay additional [redacted] on the [redacted] pensation, [redacted] it [redacted] classified as "social expenses".

Several [redacted] companies are already believed [redacted] have lodged revised taxation returns, and [redacted] new [redacted] provide taxation [redacted] with evidence to [redacted] other houses for extra payments.

US index of leading indicators up

By Michael [redacted] in Washington

THE [redacted] index [redacted] leading [redacted] in June to register [redacted] fifth successive monthly increase, [redacted] Commerce Department reported yesterday.

However, new orders [redacted] factory goods [redacted] weaker [redacted] financial markets had expected, falling 1.4 per [redacted] from May.

The main [redacted] pushing up [redacted] index [redacted] leading indicators [redacted] lengthening [redacted] average work week [redacted] industry expanded production. But it was also lifted by improving consumer expectations and lower claims for unemployment insurance.

The weakness of industrial orders and money supply, however, exerted a restraining influence.

The index of coincident indicators, which measures [redacted] current state of the economy, rose 0.3 per cent in June to register its third successive monthly increase. This supports earlier evidence that the economy began [redacted] in spring.

Movements of the leading and coincident indicators are consistent with [redacted] Bush administration's fo[redacted] of a *steady but moderate economic* recovery. There is no hint of the "double dip" recession feared by some forecasters.

[redacted] in June factory orders was expected following last week's report of a drop in orders for durable goods. But yesterday's figures showed declining orders in most sectors, including non-durable goods. The weakness, however, may be partly a reaction to increases in orders in excess of 2 per [redacted] in April and May.

Nissan UK loses battle to retain franchise

[redacted] John Griffiths in London

NISSAN UK, the company controlled by Mr Octav Botnar which has distributed Nissan's cars for the past 20 years, yesterday in [redacted] the decisive battle to retain its franchise.

The Court of Appeal refused to lift a High Court order preventing Nissan UK from taking action in the English [redacted] against Nissan Motor Company's UK subsidiary, Nissan Motor Manufacturing (UK), pending [redacted] of arbitration in Japan.

The judges also upheld [redacted] High Court's ruling that no injunction should be granted keeping Nissan UK's exclusive distribution agreement in pla[redacted] pending the [redacted] of [redacted] arbitration, because [redacted] relationship between the two sides had broken down "beyond repair".

Nissan Motor has served notice of its [redacted] sever all ties with the 78-year-old Mr Botnar's company at the end [redacted] this year and [redacted] up its [redacted] distribution operation.

After yesterday's judgment, which also awarded the appeal's costs against Nissan UK, Mr Daniel Ward, Nissan Motor Europe's director of corporate affairs, said the manufacturer now felt free to proceed immediately with the setting up of its own dealer network. It [redacted] not become operative until next year and in the meantim[redacted] would continue [redacted] supply [redacted] UK with cars until [redacted] 31.

The judgment [redacted] a bitter response from NUK: "In deciding that the matter should be determined in Japan, the Court has condemned Nissan UK to a process of arbitration which will take four to five years [redacted] complete", it [redacted] in a statement.

It complained that it had spent £350m building the net[redacted] now benefit, [redacted] no cost to itself, [redacted] work [redacted] had put into developing Nissan [redacted].

"Nissan UK regards this [redacted] deplorable way of conducting business, especially given the enormous contribution of Nissan UK in building a substantial market for Nissan cars in Britain. A great injustice has been [redacted] to Nissan UK, [redacted] dealers and its many employees," its statement said.

Nissan decided to cut [redacted] ties with Nissan UK and indirectly with a [redacted] UK associate company, AFG Holdings, which has about 180 Nissan [redacted] after [redacted] series of rows [redacted] pricing, alleged breaches of contract and a failure [redacted] agree a price for the Japanese to buy out Nissan UK.

Lord Justice Dillon said fresh evidence put before the [redacted] by Nissan UK, showing that the relationship had worked "adequately well" since the end of last year and should [redacted] allowed to continue, only confirmed that the High Court's view was justified.

Lord Justice Bingham [redacted] if Nissan UK's [redacted] over [redacted] termination of its contract were well-founded, [redacted] would be *entitled to* "enormous damages" which the Japanese car [redacted] would be well able to pay.

But if those claims [redacted] not *well-founded and an injunction* had been granted, the Japanese company would have been forced to supply its important [redacted] market through a distributor who it believed, rightly or wrongly, to have worked against its interests.

In court yesterday, Nissan UK made no *application for* leave to appeal to [redacted] House of Lords, although later a company spokesman said it would consider doing so.

Nissan itself is likely to move with high speed to set up its own network. It made clear yesterday [redacted] is anxious [redacted] begin repairing as soon as possible the damage caused [redacted] in [redacted] UK by the dispute.

Toyota plans, Page 7
Honda picks suppliers, Page [redacted]

WORLDWIDE WEATHER

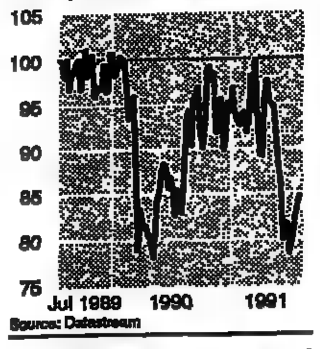
THE LEX COLUMN

Asylum in the Abbey

FT-SE Index: [redacted] (-6.8)

SmithKline Beecham

Share price relative to Glaxo



Source: Datastream

It is not difficult to be Britain's [redacted] successful bank when you are not really [redacted] bank [redacted] all. Nevertheless, for Abbey National to achieve [redacted] cent jump in interim pre-tax profits [redacted] midst [redacted] the worst housing [redacted] since the Second World War [redacted] genuinely impressive performance. Perhaps the most interesting figure from the first half [redacted] that was not actually disclosed yesterday. The net interest [redacted] margin [redacted] Abbey's [redacted] business [redacted] all accounts risen [redacted] tially, *but remained* [redacted] niently obscured by overall group margins. These [redacted] depressed by lower returns [redacted] Abbey's substantially expanded treasury operations, which is perhaps just as well at a time when the government is sensitive [redacted] how lenders treat their [redacted].

Shareholders, meanwhile, will [redacted] few complaints. [redacted] rising [redacted] the company's share of [redacted] UK's near £18bn liquid savings market [redacted] jumped from [redacted] to 12 per [redacted] and [redacted] that [redacted] – [redacted] fourfold [redacted] first [redacted] months [redacted] year – [redacted] nearing their peak. The company's provisioning is notoriously conservative and [redacted] indications are that the number of [redacted] customers in [redacted] is falling.

Abbey [redacted] still manage double digit earnings growth with[redacted] in [redacted] UK housing market, something it would [redacted] count on this time round in the [redacted] of rising inflation. [redacted] progress in [redacted] shares, however, must [redacted] conditioned by the [redacted] that, [redacted] have outperformed the market by [redacted] exactly 100 per [redacted] in the [redacted] years since the flotation.

Finance directors

Yesterday's move by the finance [redacted] of [redacted] to the [redacted] job at Allied Lyons is [redacted] reminder [redacted] the profession's [redacted] penchant [redacted] musical chairs. One thinks of the [redacted] directors [redacted] BTR and British [redacted] swapping jobs three years ago, [redacted] the latter then going on to RTZ, or Cadbury Schweppes's [redacted] director [redacted] to GrandMet.

There [redacted] evidently an [redacted] ment [redacted] scarcity value in an increasingly [redacted] function. [redacted] the job [redacted] seems to [redacted] the normal run [redacted] management. When [redacted] directors abandon their specialisation, they are capable [redacted] some odd [redacted] choices. The founding finance director of BTR took on the chairmanship of Lowndes Queensway shortly before it went bust. A former finance director of GrandMet is now chief executive of Mountleigh. The lately retired finance director of ICI went [redacted] board of Brent [redacted]. There is more [redacted] business, [redacted] appears, than doing hard [redacted].

SD-Scicon

The final £162m offer from EDS for SD-Scicon looks like clinching the [redacted]. By now, EDS [redacted] bidding only against itself and [redacted] residual reluc[redacted] of [redacted] institutions. [redacted] it owns almost [redacted] third of the equity, [redacted] has [redacted] power [redacted] creeping control what[redacted] happens. [redacted] denying EDS [redacted] place on the board, [redacted] using its blocking power [redacted] partnerships with EDS [redacted] the offer fail. [redacted] given [redacted] the 60p offer and [redacted] price before [redacted] bidding [redacted] risk [redacted] EDS walking becomes formidable, how[redacted] sparkling [redacted] profits [redacted]. With the [redacted] only [redacted] below the [redacted] has placed its [redacted].

Lilley

The market has not really trusted Lilley [redacted] costly shy [redacted] Tilbury in 1989. [redacted] to bring in [redacted] of Spain's largest [redacted] companies as investors – thus [redacted] battered balance sheet and giving the company's accomplished contracting business [redacted] chance [redacted] bid for larger contracts [redacted] abroad – may go some way to restoring [redacted] holders' faith. While it all [redacted] fine in theory, [redacted] still plenty [redacted] in [redacted] market and no guarantees that the cultural blend will work out. Like Lyonnaise des Eaux and Générale des Eaux Dumez of France and Philip Holzmann of Germany before them, it is not surprising that the Spanish are taking a stake in the UK via a small company.

SB

The 2 per cent drop in SmithKline Beecham's shares yesterday seems slightly irrational. The market's present tendency is to look to growth in the company's sales rather than earnings, on the grounds that there is considerable discretion over cost savings and therefore reported profits in the early years of the merger. The mere 3 per cent rise in sales for the quarter is in unimpressive contrast to the 18 per cent rise in earnings. But it is exactly the same growth in sales reported for the first half by Glaxo, shares of which have handsomely outperformed those of SB in recent months and stand on a higher rating.

That said, the shares are not necessarily cheap at yesterday's 795p. Pharmaceuticals have been the third best performing sector in London since the turn of the year, which might seem slightly anomalous in the context of a market looking for economic recovery rather than defensive strength. And while SB has underperformed its sector, it is becoming slightly disturbing that its stock should be so far out of favour with US investors. While they may still be overweight in what is formally a UK-based company, they are at least as well equipped to judge its prospects as their UK counterparts. [redacted] may be that the dis[redacted] between the two classes [redacted] equity [redacted] merely [redacted]. If so, it is time the company addressed it.

Weinberg

Scottish Amicable seems an unlikely addition to the racy collection of insurance whizkids brought together in J Rothschild Assurance. But its involvement as shareholder and investment manager would at least appear to rule out policies linked to the Korean national debt, Saatchi convertibles or other such exotic investments favoured by Lord Rothschild's own company. [redacted] if Sir Mark Weinberg were to secure even 10 per cent of the sales now enjoyed by the two life companies he set up previously, Amicable's stake could be worth twice the £12.7m it paid for it.

FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

SmithKline Beecham up 17% [redacted]

[redacted] Beecham, the Anglo-US pharmaceutical [redacted] healthcare group, boosted pre-tax profits 17 per cent to £230m ($386.4m) in the [redacted] June. However, Bob Bauman, chief executive, [redacted] per [redacted] increase in turnover [redacted] £1.16bn was disappointing [redacted] below target. Page 18

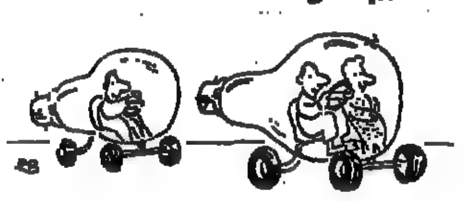
Eastman [redacted] falls [redacted] $357m

Eastman [redacted] second-quarter profits [redacted] hit by weakness in [redacted] core photographic business. [redacted] on [redacted] $4.9bn, against [redacted] on [redacted] a year earlier. Page 14

Mexico's prickly problem

[redacted] leaves may [redacted] unlikely food, but with [redacted] spines stripped off, [redacted] chopped up [redacted] sold in Mexican [redacted] (above), they are [redacted] and healthy. [redacted] are being thrown away [redacted] lack of a market – [redacted] of a booming [redacted] with Japan proved [redacted]. Mexican [redacted] trying [redacted] up a marketing fund [redacted] help their business survive. Page [redacted]

GM looks for a lasting impact



[redacted] public commitment [redacted] the [redacted] first mass-produced [redacted] car may be [redacted] slightly [redacted] comes [redacted] terms with some technical problems. [redacted] "Impact", [redacted] electric [redacted] has demonstrated top [redacted] of 100 mph [redacted] an acceleration of 0-60 mph in [redacted]. [redacted] technology, however, may be the key limiting factor. Page 20

Management siphon scheme

Jim Schadt has resigned as managing [redacted] Cadbury Schweppes' worldwide beverage operations following the company's decision [redacted] management from the US to Britain. Cadbury Schweppes [redacted] to integrate its headquarters' staff [redacted] ensure [redacted] sistent global strategies and allow resources [redacted] be better allocated. [redacted] 18

Spanish buy stake in UK group

Two leading Spanish [redacted] engineering [redacted] buying a 21.5 per [redacted] stake in [redacted] gow-based Lilley building group. Page 19

Placer first-half profits slip

[redacted] reported [redacted] profits [redacted] per cent [redacted] (US$18.8m) after a sharp [redacted] in [redacted] a slump in production by its [redacted] subsidiary. Page [redacted]

Market Statistics

Companies in [redacted]

Chief [redacted]

FRANKFURT (DM)				Cetelem	744	+	31
Rises				Ef [redacted]	351.7	+	4.2
Bayer-Hypo	365.5	+	6.5	[redacted]	283	+	11
Commerzbank	252	+	[redacted]	**Falls**			
[redacted]	245	+	8	Credit Lyonn	[redacted]	–	[redacted]
[redacted]	340	+	16	Peugeot	571	–	6
Falls				**TOKYO (Yen)**			
Allianz	[redacted]	–	[redacted]	**Rises**			
Rheinelektra	[redacted]	–	[redacted]	Godo Shusei	1100	+	100
NEW YORK [redacted]				Okuma & H			
Rises				[redacted]	709	+	71
[redacted]em St	17⅛	+	½	Oriental [redacted]	559	+	[redacted]
Microsoft	73½	+	¾	Teikoku Sen-I	[redacted]	+	[redacted]
Sun Micro	30⅜	+	[redacted]	**Falls**			
US F&G	7⅞	+	⅛	Harima Chem	1530	–	[redacted]
Falls				Japan Casting	823	–	[redacted]
US Healthcare	31¼	–	1				
USX-Marathon	25⅜	–	⅛				
PARIS (FFr)							
Rises							
Accd Ente	1100	+	96				

[redacted] York [redacted] 12.30.

LONDON (Pence)				Unitech	[redacted]	+	10
Rises				[redacted]			
Abbey	57	+	[redacted]	Arlen	14	–	[redacted]
Barratt Devs	[redacted]	+	5	Bats	194	–	47
Cater Allen	333	+	10	[redacted]	210	–	11
Control Sec	17½	+	[redacted]	Ramsden's (H)	130	–	[redacted]
Copson (F)	30	+	5	Sumit	[redacted]	–	7
Cowie (T)	[redacted]	+	5	Telfos	57	–	[redacted]
Harland Simon	540	+	25	Wainoughs	350	–	[redacted]
Lilley	48½	+	4½	Yorks Water	378	–	15
[redacted]	511	+	12				
Royal [redacted]	190	+	5				
Unit	60	+	[redacted]				

BMW sees good year after 8% rise

By Andrew Fisher in Frankfurt

BMW, [redacted] German luxury car manufacturer, lifted net profits 8.2 per cent [redacted] DM381m ($217m) in the [redacted] half [redacted] year. It [redacted] it expected turnover and earnings to [redacted] higher for the full [redacted] in line with increased pro[redacted] and deliveries.

However, [redacted] companies in [redacted] German [redacted] and engineering [redacted] BMW [redacted] increases of nearly 7 [redacted] negotiated [redacted] year.

The group [redacted] [pay rises] hinder all attempts to maintain Germany's position as [redacted] competitive industrial location".

BMW executives [redacted] said they [redacted] considering siting [redacted] production abroad because of [redacted] high [redacted] and [redacted] in Germany [redacted] tougher foreign competition, especially from the Japanese.

Analysts [redacted] this could mean increasing local assembly rather than full manufacture.

With [redacted] latest model [redacted] the [redacted] at the small end of [redacted] range, [redacted] increase turnover by 4.2 per [redacted] DM14.4bn in [redacted] first six months.

[redacted] the change to [redacted] new model, car output [redacted] per [redacted] lower at 263,000 units.

However, production [redacted] 3-series, for which waiting lists stretch into [redacted], has been [redacted] 400 to 1,200 [redacted] day.

Total [redacted] worldwide registra[redacted] about [redacted], similar [redacted] the figure for [redacted] period last year.

[redacted] to European [redacted] by [redacted] cent to 210,000 units.

In Germany, where the [redacted] market has [redacted] German demand, BMW's [redacted] were 14 per [redacted] higher, [redacted] than [redacted] cars. This [redacted] rise [redacted] markets such as the UK and France.

Like other manufacturers, BMW had difficulties in the US. Its [redacted] 24 [redacted] cars, although demand for [redacted] 3-series, which [redacted] try's new luxury car [redacted], is helping [redacted].

BMW [redacted] there were signs [redacted] world [redacted] would start to improve [redacted] the second half of 1991, which should benefit the [redacted] industry.

However, in Germany, the stimulation caused by unification would be [redacted] by the [redacted] the higher [redacted] and public indebtedness that reflected its financial [redacted]. Thus, [redacted] said, [redacted] would be likely to slow.

Haig Simonian looks at challenges facing the rapidly-expanding Fininvest group

Berlusconi borrows to build a dream

MR Silvio Berlusconi, the Italian media magnate, spent his early business days ferrying films across Italy via a team of motorbike riders to [redacted] the [redacted] that he was running a nationwide [redacted]. Now Mr [redacted] privately-owned [redacted], Fininvest, has grown [redacted] Europe's second-largest [redacted] concern with [redacted] property and [redacted] holdings.

Following the [redacted] acquisition this [redacted] of much [redacted] Mondadori, Italy's biggest publ[redacted], Mr [redacted] like to go further.

Constrained by regulations at home, Fininvest is expanding core television activities elsewhere in Europe, especially in the [redacted] Communist-controlled east. Domestically, [redacted] is moving [redacted] businesses, notably retailing, where it bought the Standa chain in 1988.

Group turnover [redacted] should [redacted] L11,200bn [redacted] L1.4bn [redacted] that will [redacted] from Mondadori, while SB-Supermercati Brianzoli, a regional supermarket chain bought last May, will [redacted] L450bn.

[redacted] the third-largest private [redacted] concern in Italy, [redacted] L7,561bn [redacted] and [redacted] employees. [redacted] the [redacted] about revealing [redacted] much [redacted] finances, especially debt.

[redacted] annual general meeting [redacted] month [redacted] glimpse into [redacted]. [redacted] group profits surged by [redacted] per [redacted] in [redacted]. But [redacted] acquisitions have come [redacted] price, with [redacted] rising by 19 per cent to L2,417bn in 1990.

Spurred by the Mondadori deal, net borrowings are set to jump again this year, with [redacted] about L2,700bn-2,800bn by end [redacted]cember. Many analysts warn that [redacted] company's [redacted] figures [redacted] position. Fininvest's figure of net debts at just [redacted] in 1988 was [redacted] at L1,370bn by analysts at Mediobanca, the Milan merchant bank.

Higher debt costs and difficulties in financing expansion from cash-flow – Fininvest's traditional motor for growth – m[redacted] explain why Mr Berlusconi h[redacted] changing his [redacted] going public this year. Having adamantly rejected flotation, Fininvest revealed [redacted] January that it had commissioned Goldman Sachs to study the partial flotation of Silvio Berlusconi [redacted]nications (SBC).

Formerly known as Reteitalia, SBC is active in film, television and video production and distribution, and also manages a 300-cinema chain in Italy. However, [redacted] real gem is a library of about [redacted]000 films, which executives claim is worth L4,500bn-L5,000bn.

Mr Berlusconi has also hinted that he might [redacted] part [redacted]. Under the peace [redacted] with Mr [redacted] De Benedetti, his rival in the bitter battle for control that ended last May, Fininvest has emerged with the group's book publishing activities, most of its [redacted] and half of Manzoni, its media space-buying operation. Control of [redacted] is being [redacted] with Mr De [redacted].

Fininvest results 1988-90 (Lbn)

	[redacted]	1989	1990
Sales	[redacted]	[redacted]	[redacted]
[redacted] profit	181.8	[redacted]	[redacted]
Net [redacted]	250	[redacted]	2,417

Source: [redacted] annual [redacted]

It [redacted] difficult [redacted] how much [redacted] SBC [redacted] worth. [redacted] private struc[redacted] analysts [redacted] its affairs, while Mondadori's [redacted] suspended [redacted] long that many [redacted] forgotten it is quoted.

However, selling minority stakes in both should bring in [redacted] cash. [redacted] traditional [redacted] publishing busi[redacted] firmly [redacted] in Italy. It [redacted] 61 magazines, [redacted]ing Panorama, Italy's biggest-sell[redacted] weekly newsmagazine.

Management, rather than money, will be Fininvest's big [redacted]. The group [redacted] still principally a one-man band, with Mr Berlus[redacted] key [redacted]. Crit[redacted] delegate.

Typically for an Italian private company, [redacted] is [redacted]ted in the family. Last [redacted] brought [redacted] Mr [redacted] year-old [redacted] Piersilvio and [redacted] year-old daughter Marina on [redacted] the [redacted] board. Mr [redacted] brother Paolo [redacted] after the con[redacted] side [redacted] and Mr [redacted] Foscale, execu[redacted] of Standa and the man responsible [redacted] group finances, is [redacted] cousin.

Even the small team of execu[redacted] around Mr [redacted] are confidants [redacted] than pro[redacted]. Mr Fedele Confalonieri, who has been with Fininvest virtually from the start, manages the parent [redacted]. He also maintains contacts with the outside world, notably politicians.

[redacted] political links played a key part in Fininvest's growth. Mr Berlusconi's friendship with Mr [redacted] Craxi, [redacted] leader, [redacted] decisive, particularly during Fininvest's early days as a property developer in Socialist-controlled Milan.

Mr Berlusconi [redacted] already [redacted] some awareness [redacted] potential management weaknesses [redacted] group continues [redacted] grow. [redacted] April, he hired Mr [redacted] – ironically, a former top De Benedetti executive – to run Mondadori. More recently, Fininvest struck a complex deal bringing in Mr Gianfelice Franchini, whose family supermarkets chain was bought by Fininvest, [redacted] Standa's managing director.

[redacted] such [redacted] are [redacted] enough. Much [redacted] problem [redacted] Fininvest [redacted] real group identity. Mr Berlusconi's [redacted] been [redacted] "barons", operating [redacted] tiny top [redacted] team, [redacted] running individual parts of [redacted] business.

"The current management [redacted] not in [redacted] position to run a system [redacted] complex [redacted] the Fininvest group, even if it were purely Italian," says [redacted] executive well acquainted with the group.

[redacted] challenges lie ahead for Fininvest. [redacted] parliamentary [redacted] this year will [redacted] number [redacted] advertisements it can [redacted] during certain types of programmes. [redacted] group claims this will cost $300m in lost revenues.

Fininvest, which owns three [redacted] channels, could [redacted] competition from [redacted] licencees [redacted] are awarded later this year. [redacted], advertising [redacted] in general [redacted] slowed during Italy's economic downturn.

[redacted] Berlusconi will be [redacted] by new legislation [redacted] give up ownership of his Milan daily newspaper within the next year. The same ruling undoubtedly played a part in persuading him [redacted] compromise in the Mondadori battle. Mean[redacted], anti-trust [redacted] have [redacted] to sell [redacted] cent [redacted] its new pay-TV venture.

S[redacted], although improving, remain disappointing and hopes [redacted] a quick turnround have [redacted] dashed. The company did not pay a dividend in [redacted] – the third [redacted] in [redacted]. In [redacted] longer term, it will need [redacted] heavily in modernisation and new [redacted] openings.

[redacted] must [redacted] nursed back [redacted] health. [redacted] all [redacted] year's L55.2bn net profits stemmed from extraordinary gains. The target this year is to break even, and move back into the black in 1992.

[redacted] much [redacted] will depend on synergies [redacted] publishing [redacted] and Fininvest's TV, film and video operation [redacted] unclear. While merging Fininvest's magazine and publishing interests into the group could produce benefits, analysts [redacted] more cautious about [redacted] synergies following disappointments with Mr Rupert Murdoch [redacted].

[redacted] will the flotations be [redacted]. Fininvest says [redacted] listing SBC. [redacted] will probably not happen until next [redacted] will also [redacted] wait for formal completion [redacted] the [redacted] with Mr De Benedetti [redacted] this year and Fininvest's [redacted] decision on how to [redacted] publishing [redacted].

Property development has become [redacted] difficult due [redacted] tougher zoning [redacted] planning rules. [redacted] projects are [redacted]ciably [redacted] than those which [redacted] name.

[redacted] political relations have [redacted] trickier as [redacted] has [redacted] between Mr Berlusconi and the [redacted] have [redacted] as [redacted] tries [redacted] political base. As growth continues, Fininvest will have to show it can still juggle all [redacted] challenges [redacted] more.

Columbia Gas turns to court in cash crisis

By Martin Dickson in New York

COLUMBIA Gas System, [redacted] the largest natural [redacted] transmission [redacted] in [redacted] US, yesterday filed [redacted] the protection [redacted] the bankruptcy courts [redacted] of [redacted] stemming from heavy [redacted] on long-term [redacted] supply contracts.

Columbia surprised Wall [redacted] late June when it suspended [redacted] dividend [redacted] announced [redacted] could [redacted] of [redacted] than $1bn because of [redacted] price movements.

[redacted]company's June [redacted] in violation of a [redacted] credit line – some $500m of which had been [redacted]. Columbia [redacted] yesterday it had been negotiating until Tuesday night with [redacted] banks, led by Morgan Guaranty, [redacted] re-establish the facility.

Mr John Croom, chairman, said that while [redacted] had [redacted] made, [redacted] apparent "that it would [redacted] possible [redacted] discussions successfully during [redacted] permitted [redacted] system's cur[redacted]".

He [redacted] that although [redacted] producers had responded favourably [redacted] Columbia's proposals for renegotiating [redacted] contracts, [redacted] could not [redacted] resolved quickly.

The bankruptcy filing [redacted] allow [redacted] principal pipeline subsidiary, Columbia [redacted] Transmission, [redacted] ask [redacted] bankruptcy court for [redacted] allowing it [redacted] reject the gas [redacted] which are causing [redacted] problems.

[redacted] sharp fall in US [redacted] market gas prices, [redacted] warm weather and an [redacted] of supplies, has made [redacted] supplies uncompetitive.

Columbia's supplies [redacted]erned by so-called "take or pay" contracts stretching back many years.

Other large US gas transmission companies [redacted] not seem [redacted] be suffering from the same difficulties: many [redacted] these companies [redacted] successfully renegotiated problem contracts in recent years.

Mr Croom said the bankruptcy filing [redacted] the [redacted] rejection would not [redacted] the [redacted] pro[redacted] by the [redacted].

"Neither Columbia Transmis[redacted] the Columbia System is going out [redacted] business," he added.

The [redacted] long-term debt outstanding and has [redacted] defaulted on about [redacted] borrowings.

Columbia's shares, which stood at more than [redacted] announcement, dropped $3¾ to [redacted] in morning trading in New [redacted].

Profits at Dresdner Bank climb 7% in first half

By Andrew Fisher

DRESDNER Bank yesterday announced a rise of 12 per cent in its partial operating profits, to DM1.07bn ($611m) in the first half of 1991. It said it expected a good result for the full year.

The profits [redacted] trading [redacted] the bank's [redacted] account. Total operating profits, which include these, were 7 per cent higher.

As usual, no figure was given. Last week, Commerzbank reported [redacted] much steeper 33 per [redacted] increase in partial [redacted] profits, to DM813m.

Mr Wolfgang Roller, Dresdner's [redacted] executive, said the [redacted] stake which the Allianz [redacted] group had built up in [redacted] bank would contribute towards shareholder stability and help preserve [redacted] independence.

"A hostile [redacted] is [redacted] horrifying notion [redacted] a concern," he said. Nor was [redacted] a question of co-operation between [redacted] superior [redacted] – Allianz – and an [redacted] one. Allianz, which is much larger than Dresdner, announced the increase in its holding this week. In turn, Dresdner owns about 10 per [redacted] of Allianz.

Mr Roller [redacted] said the increased holding would cement the co-operative links forged between [redacted] two groups. Dresdner sells Allianz insurance policies through its branch network, with joint activities [redacted] planned in [redacted] Germany. Allianz owns a [redacted] per [redacted] stake in [redacted] Germany's Deutsche Versicherung, the former [redacted] insurance concern.

Comparing the Allianz-Dresdner co-operation with [redacted] differing insurance [redacted] Deutsche Bank and Commerzbank, Mr Roller said: "In a European context, [redacted] are disappearing, markets are expanding and marketing [redacted] being merged."

He said that Allianz had no intention of increasing its [redacted] in the bank, which would also not raise its holding in the insurance group.

Mr Roller said [redacted] half-year increase was helped [redacted] higher lending volumes and improved interest [redacted] margins.

Germany's Federal Cartel Office intends [redacted] look [redacted] the competitive implications [redacted] the Allianz insurance group's 23 per [redacted] stake in Dresdner Bank, but has not decided whether [redacted] launch [redacted] full investigation, [redacted] Andrew Fisher.

A 25 per cent holding would automatically trigger a probe. But if the cartel office decides that Allianz's influence constitutes a de facto merger, then it will launch a full investigation.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 [redacted]	Proposed Price for Trading on 01.08.91: Pool purchase price £/MWh	Final Prices for Trading on 04.07.91: Pool purchase price £/MWh	Pool selling price £/MWh
[redacted]	17.00	[redacted]	15.95
0100	17.00	[redacted]	15.95
0130	15.52	[redacted]	15.95
0200	17.00	[redacted]	15.95
0230	[redacted]	[redacted]	15.95
0300	[redacted]	[redacted]	16.05
0330	15.51	15.95	15.95
0400	15.51	15.95	15.95
0430	15.51	15.95	15.95
0500	15.52	15.95	15.95
0530	15.48	15.95	15.95
0600	15.51	15.95	15.95
0630	15.54	15.95	16.95
0700	20.57	[redacted]	18.30
0730	20.57	[redacted]	19.98
0800	17.18	20.91	22.85
0830	18.12	20.98	22.90
0900	18.28	21.05	22.99
0930	23.50	21.13	23.08
1000	[redacted]	21.18	23.12
1030	[redacted]	21.21	23.18
1100	21.41	21.27	23.25
1130	21.41	21.43	23.48
1200	21.41	[redacted]	23.57
1230	21.41	21.47	23.51
1300	21.41	21.31	23.30
[redacted]	21.41	21.12	23.07
1400	21.41	[redacted]	22.98
1430	21.41	[redacted]	22.95
1500	21.41	[redacted]	22.95
1530	[redacted]	21.04	22.97
1600	[redacted]	21.11	23.06
1630	[redacted]	21.21	23.19
1700	21.41	21.23	23.21
1730	21.41	21.13	23.09
1800	21.41	21.00	22.94
1830	18.12	20.90	22.83
[redacted]	17.34	[redacted]	20.44
[redacted]	17.19	[redacted]	20.26
[redacted]	17.18	[redacted]	20.28
2030	17.18	18.10	19.98
2100	17.18	18.10	19.98
2130	17.18	19.74	21.62
2200	[redacted]	20.34	22.22
2230	20.59	20.34	22.21
2300	17.18	[redacted]	21.57
2330	17.18	19.74	21.61
2400	17.18	17.95	19.82

Prices are determined for every half-hour in [redacted] twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of [redacted]

NGC [redacted] Limited

INTERNATIONAL COMPANIES AND FINANCE

US insurers fail to turn the tide

By Karen Zagor in New York

THE [redacted] *of* [redacted] US insurance industry was *borne out in the second-quar*[redacted] results [redacted] Travelers and USF&G.

Travelers, the multi-line insurer which upset investors [redacted] autumn [redacted] it took big provisions for potential losses [redacted] property investment interests, turned in second-quarter [redacted] income of $91m, [redacted] 85 cents a share, 11 per cent below [redacted] $102m, or 98 [redacted] reported in the 1990 second quarter. Revenues [redacted] unchanged at $3bn.

Excluding realised investment gains and [redacted] and extraordinary taxes, Travelers' income in [redacted] quarter [redacted] 6 per cent to $94m, or 89 cents [redacted] share, from [redacted] or 85 [redacted] in the y[redacted] period.

[redacted] Budd, chairman and chief executive, [redacted] no indication [redacted] real estate [redacted] bottomed in [redacted] the country. Opportuni[redacted] for [redacted] closed properties at [redacted] prices [redacted] severely limited."

US [redacted] have grown *increasingly* [redacted] in the aftermath of the seizure by [redacted] *regulators* [redacted] Executive Life and Mutual [redacted] *Jersey.*

Travelers said yesterday that its real [redacted] stood [redacted] $955m at the end of the second quarter. Mr Budd said these reserves and highly liquid [redacted] $10bn, [redacted]bined with statutory capital of $3.8bn, provided strong [redacted]rity for Travelers' customers.

USF&G, the [redacted] but troubled US [redacted] further into [redacted] in the second quarter with [redacted] or 77 [redacted] a share, against [redacted] income of $5m, or 1 cent, in [redacted] quarter.

For [redacted] half, the composite insurer's net [redacted] was $111m, or $1.47 a share, [redacted] of [redacted] cents, in [redacted] first half of 1990.

Mr [redacted] Blake, [redacted] chairman, who was brought [redacted] USF&G in November, [redacted] reflected catastrophe losses [redacted] any quarter [redacted] the company's history.

Varity's [redacted] to Buffalo endorsed by shareholders

By Bernard Simon in Toronto

SHAREHOLDERS of Varity have overwhelmingly approved a plan to transform the 144-year-old Canadian farm machinery and industrial prod[redacted]

[redacted] of [redacted]versy, the shareholder [redacted] the [redacted] Varity [redacted] *head* [redacted] Toronto [redacted] Buffalo, [redacted] York, [redacted] *incorporate in* [redacted] *US* [redacted]

[redacted] the same time, [redacted] company's shares, which trade [redacted] slightly [redacted] apiece, [redacted] consolidated in a one-for-10 reverse split.

Varity, formerly Massey-Ferguson, [redacted] widely criticised in Canada for the [redacted] pull up its roots.

The [redacted] which had been kept afloat in the early 1980s by financial support from the federal and Ontario governments, earlier reached a settlement to enable it to break a pledge to keep its head office in [redacted] court [redacted] by [redacted] federal government [redacted] unsuccessful.

Varity [redacted] already [redacted] an elegant mansion in Buffalo [redacted] office, and [redacted] expected [redacted] move within [redacted]

Mr Victor Rice, chairman, [redacted] Varity [redacted] *for* [redacted] *address".* [redacted] *pre*dicted that [redacted] move would generate greater [redacted] Varity's [redacted] from [redacted] securi[redacted] and [redacted]

Mr [redacted] company's [redacted] priority [redacted] to [redacted] its debt, partly [redacted] make the fullest possible [redacted] US tax-loss carry-forwards.

Despite [redacted] US$29.7m first-quarter loss, Mr Rice predi[redacted] a profitable year. He cautio[redacted] however, [redacted] markets for Varity's main products – farm [redacted] automotive parts and diesel [redacted] – remained sluggish.

Kodak slips to $357m [redacted] film business disappoints

By Karen Zagor

EASTMAN Kodak, the world's *biggest* producer of photographic products, yesterday *reported lower net income* [redacted] the second quarter, with weak*ness in the* [redacted]phic business more than offsetting *gains in its health operations.*

Kodak's net income in the quarter was [redacted] *or $1.10 a* share, on [redacted] $4.99bn, against profits [redacted] *or* $1.19, on sales [redacted] $4.87bn [redacted] earlier. Pre-tax earnings fell 12 [redacted] to [redacted] from $662m.

Earnings from operations fell 11 per [redacted] to $754m from [redacted] and revenues from the core imaging segment declined 3 per cent to $1.89bn.

For the first half of 1991, Kodak's net income dropped 8 per cent to $535m, or $1.65, from $583m, or $1.80, a year ago. Sales rose [redacted] per cent to $9.41bn from $8.93bn. Earn[redacted] from operations [redacted] 10 per cent [redacted] $1.21bn from $1.34bn.

Mr [redacted] Whitmore, president and chief executive, blamed the lacklustre economy and constraints on demand for the weak earnings. He said good manufacturing margins, particularly in photographic film and paper, were offset by higher selling and advertising [redacted] and [redacted] spending.

[redacted] expectations, our health and chemicals [redacted] *must perform on plan,* while [redacted] photographic and [redacted] *imaging groups* [redacted] advantage of the *expected recovery in* [redacted] *US* economy," Mr Whitmore [redacted]

Ms Kimberly Ritrievi, an analyst at PaineWebber, said the earnings were in line with her projections. She expects Kodak to earn $3.70 a share in 1991 and $4.25 in 1992. "Our biggest concern in Kodak's core business is that currency translations will start to be negative in the second half." Nearly half of Kodak's sales come from outside the US.

Mr Alex Henderson, an analyst at Prudential Bache Research, expressed concern about Kodak's plans to spend 29 per cent of sales revenue on *advertising. He has reduced* his 1991 earnings estimate to $3.65 a share from $3.70.

TWA debt package given mixed reviews

By Martin Dickson in New York

A FINANCIAL restructuring plan for Trans World Airlines, requiring its chairman, Mr Carl Icahn, to relinquish majority [redacted]wnership, was welcomed yesterday on Wall Street. Credit analysts, however, said it would still leave the heavily-indebted US carrier with substantial long-term operating problems.

Mr Icahn, who owns some 90 per [redacted] TWA's equity, [redacted] end up with [redacted] 20 and 45 per cent of the airline's common *stock under a com*plex agreement announced late on Tuesday.

Most of the equity would be placed in the [redacted] creditors. The deal would [redacted] involve Mr Icahn *personally* investing [redacted] additional [redacted]

The plan would *eliminate* about $1bn [redacted] from [redacted] company's balance sheet, sharply cutting its interest bill, and would leave [redacted] with about $400m in [redacted]

The agreement [redacted] months of wrangling [redacted] TWA, which began defaulting on bond payments last February, and committees representing its creditors. These had threatened to end up in long and acrimonious bankruptcy proceedings.

The [redacted] would [redacted] TWA filing [redacted] "pre-packaged" Chap[redacted] 11 bankruptcy [redacted]tion. *This mechanism* allows [redacted] company's stay in bankruptcy [redacted] to be very brief – TWA hopes [redacted] between 60 and 90 days – [redacted] it depends on the company [redacted] reaching prior agreement with its creditors.

The agreement has been approved by most of TWA's creditor groups and is therefore expected to go ahead, although it could still be rejected by rank-and-file bondholders. TWA hopes to implement the scheme early next year.

Standard & Poor's, the credit *rating agency, said yesterday* that a pre-packaged bank*ruptcy would lighten the debt* burden, but added that "the *airline continues to face* long-term problems of a weak*ening competitive position, an* ageing fleet and difficult *labour relations".*

S&P noted the group's balance sheet carried $2.7bn [redacted] debt and capitalised leases [redacted] March 31 and *said* "badly needed upgrading and modernisation of TWA's fleet would require substantial additional financing, probably in the form of leases".

The company's debt problems go back to 1988 when Mr Icahn, who had acquired control of the airline in the mid-1980s, borrowed heavily to take the business private.

Large second-quarter losses at America West

By Martin Dickson

AMERICA WEST Airlines, [redacted] Phoenix-based regional carrier which [redacted] *for Chapter 11* bankruptcy protection in June, yesterday announced large second-quarter [redacted] $100m cost-saving programme which would [redacted] job losses, [redacted] in its fleet and route realign[redacted]

The company, one [redacted] the new non-union airlines which started operations in 1983 following the industry's deregulation, [redacted] $1.54 a share, in the second quarter on operating revenues of $378.5m. [redacted] the same period of last year it made $6.1m, or 29 cents, *a share, on operating revenues* of [redacted]

Mr Edward Beauvais, the chairman, said the *cost-cutting* programme included *personnel reductions at all levels* and cuts in the size of the airline's fleet. The airline employs 15,000.

He said America West expected to cut its fleet from around 115 aircraft to between [redacted] and 100 for the rest of the year.

Other cost-cutting measures include a pay freeze implemented on July 1 and a 10 per cent across the board salary cut in effect from today.

The company noted that while the second-quarter figures showed continuing improvement over the previous two, when it lost $56.3m and $49.9m, they were nevertheless *"disappointing."*

INTERNATIONAL COMPANIES AND FINANCE

Rothschild and Weinberg link up

By Norma Cohen, Investments Correspondent, in London

SIR MARK WEINBERG, Britain's most successful insurance salesman, yesterday launched his third foray into [illegible] business, setting up another life assurance company, this time with Lord Rothschild.

The company, to be called J Rothschild Assurance, will be led by two former top executives of [illegible] earlier Weinberg venture, Allied Dunbar. Mr [illegible] Wilson and Mr Keith Carby will be chief [illegible] and managing director respectively.

[illegible] Place Capital, Lord Rothschild's [illegible] management company of which [illegible] Mark [illegible] full-time executive director, [illegible] investing £25.4m and will have [illegible] 40 per cent [illegible] in the [illegible], which is expected to be operational by January 1992.

Sir Mark said the group would seek a flotation of the [illegible] "at the earliest possible time", most likely in five years. The company is unlikely to have positive cash flow for the first three to four years, he said.

Scottish Amicable, the Glasgow-based insurance company, is investing £12.7m, taking a 20 per [illegible] stake in [illegible] venture, and providing operational [illegible]vices.

Mr Roy Nicolson, managing director of Scottish Amicable, said his [illegible] would provide administrative services [illegible] the new company and will be one of [illegible] two fund managers.

The other fund manager will be Lord Rothschild's Bishopsgate Progressive Unit Trust [illegible] Company, one of the top performing managers over the past 10 years.

The remaining 40 per cent share will be held by management and staff, with Sir Mark, Mr [illegible] Mr Carby holding roughly 17 per [illegible] of shares. The remaining 23 per cent stake will be distributed to sales staff as part of their commission payments.

Yesterday's announcement coincided with [illegible] lifting [illegible] a ban imposed by [illegible] Dunbar [illegible] Wilson and Mr Carby, barring them [illegible] entering a competing business.

Sir Mark [illegible] the [illegible] men with him when he resigned as chairman of Allied Dunbar last October. Allied Dunbar then altered the terms [illegible] staff contracts so that [illegible] today, sales [illegible] solicit business from former clients for [illegible] year [illegible] leaving the firm.

Mr Wilson said that [illegible] Rothschild Assurance was only seeking experienced sales staff with [illegible] proven client [illegible]. "Inevitably it means taking staff from other companies," he said, although the firm will [illegible] try to recruit those working [illegible] independent agents.

Lex, Page 16

Abbey National climbs 10% at halfway

By David Lascelles, Banking Correspondent, in London

[illegible] NATIONAL, the building society-turned-bank, yesterday produced upbeat results for the first half of [illegible] year, suggesting that [illegible] worst of the mortgage market slump [illegible] be passing.

Pre-tax profits of £308m [illegible] per [illegible] half of 1990. [illegible] tax, profits were £205m, an [illegible] cent. These [illegible] the higher end [illegible] analysts' expectations and confirmed Abbey had made headway despite the economic downturn.

The result was dampened by a more than fourfold increase in [illegible] provisions [illegible] record £58m, mostly because of mounting repossessions [illegible] homes from buyers hit by [illegible] recession.

However, [illegible] Peter Birch, [illegible] executive, [illegible] there [illegible] early signs that [illegible] rate of [illegible] in [illegible] had begun [illegible] slow. He predicted that Abbey's provisions [illegible] would [illegible] lower, "all other things being equal". Abbey hopes [illegible] the [illegible] will restore [illegible] to [illegible] housing [illegible].

Abbey's [illegible] follow better-than-expected figures from Lloyds [illegible] Friday, [illegible] a cheerful [illegible] to [illegible] interim [illegible] season, [illegible] with Barclays' results today [illegible] Midland's tomorrow. [illegible] and Standard Chartered report [illegible] week.

Although [illegible] UK mortgage [illegible] estimated to [illegible] shrunk by [illegible] 16 per cent [illegible] half [illegible], Abbey [illegible] increased [illegible] per cent. Deposits [illegible] savings by [illegible] by £3.2bn, boosting Abbey's [illegible] of liquid savings [illegible] the 12 [illegible] 7.1 [illegible] per cent.

[illegible] operation, now managing £11.4bn [illegible], [illegible] a strong [illegible] half [illegible] spreads on [illegible] portfolio of [illegible] widened.

The [illegible] £7m against [illegible] £9m, [illegible] other operations [illegible] (£3m). These [illegible] of property development [illegible] business [illegible] Spain, which made [illegible] loss, [illegible] France, [illegible] there was [illegible] profit.

Abbey's [illegible] rose slightly [illegible] per cent of [illegible] income, but Mr [illegible] this [illegible] group's investment [illegible] of [illegible] new systems and [illegible].

The [illegible] capital position remains [illegible] set ratio of 12.1 per cent, but Abbey warned [illegible] might [illegible] contribution to [illegible] bail-out of depositors in Bank of Credit and [illegible] International.

Lex, [illegible] 12

COMPANY NEWS IN BRIEF

TELEFONICA de España and Fiat have agreed [illegible] set up [illegible] factoring company to [illegible] their respective suppliers [illegible] Spain with the goal [illegible] volume to about Pta300bn ($2.73bn), [illegible] reports.

The [illegible]ent was signed by Telefonica, Fiat Credit International and Fiat Financiera, the latter 50 [illegible] owned by Corporacion Financiera Hispamer. The company will have financing from Banco Hispano Americano.

■ Dutch aircraft maker Koninklijke Nederlandse Vliegtuigenfabriek Fokker [illegible] to announce new orders in the US for its Fokker-10[illegible]-engined passenger jets, Reuter reports.

"There will be orders, but we don't [illegible] when," Mr [illegible] van Veen, [illegible] Fokker spokesman [illegible] from Chicago, where company [illegible] are delivering [illegible] first [illegible] new Fokker 100s [illegible] American Airlines. "If they (new orders) come, they will be substantial," he [illegible].

■ GEC [illegible] NV [illegible] Fiat Ferroviaria announced the signing of their long-awaited co-operation accord which is part of a broader partnership be[illegible] Alcatel-Alsthom SA and Fiat of Italy, Reuter reports.

GEC Alsthom said its link with Fiat Ferroviaria would focus on high-speed trains. Fiat and Alcatel-Alsthom signed the original partnership [illegible] cross-shareholding agreement in October 1990 concentrating [illegible] rail transport, car [illegible] and telecommunications.

Originally, Alcatel-Alsthom was planning on buying a majority stake in Fiat Ferroviaria; the plan was scrapped in April in favour of a more general co-operative arrangement.

■ Ente Nazionale Idrocarburi, Italy's state-controlled energy group, has signed a broad collaboration accord with Sonatrach of Algeria, intensifying the existing relationship between the two groups, AP-DJ reports.

The agreement was signed in Algeria by [illegible] Gabriele Cagliari, ENI chairman, and Sonatrach [illegible] Bouhafs. It calls [illegible] two companies [illegible] work closely [illegible] natural [illegible] and petrochemical sectors, [illegible] possibility [illegible] future joint production of liquefied petroleum gas (LPG). The agreement also calls for technical and scientific co-operation between the two groups.

■ Jean Philippe Fragrances has acquired [illegible] French fra[illegible], Inter Parfums and Selective In[illegible].

The [illegible] companies were previously owned by Mr Jean Madar, the president of Jean Philippe, and Mr Philippe Benacin, the controlling [illegible]ers of Jean Philippe.

German ball-bearing group down sharply

By Andrew Fisher

KUGELFISCHER, the German bearing and industrial systems manufacturer, suffered [illegible] steep fall in profits in the first half of this [illegible] result of [illegible] in foreign markets and pressure on prices [illegible] of stiff competition.

The company said its parent company net profits dropped from [illegible] ($20.5m) [illegible] DM7m. [illegible] no [illegible] for group profits, which came down last year from DM102m to DM59m. Around [illegible] of the company's German workforce of [illegible] 20,000 people are on short-time working, [illegible] jobs are [illegible] being reduced through early retirement and non-replacement [illegible] leaving.

The company said that profits were hit by the need to cut production [illegible] of declining order books, [illegible] well [illegible] by this year's high [illegible] settlements and higher interest rates.

Group turnover, including foreign [illegible] up during the difficult trading period, with the first-half [illegible] of DM2bn only marginally below [illegible] same period [illegible] 1990.

However, the figure included [illegible] acquisitions [illegible] as IBL [illegible] of [illegible] UK; Barden, [illegible] precision ball-bearing [illegible], and DKF Deutsche Kugellagerfabriken, the [illegible] German ball bearing [illegible].

Kugelfischer [illegible] turnover held up well in Germany, with [illegible] fall in [illegible] foreign business share of the total from 61.4 per [illegible] per cent. Helped by the acquisitions, turnover in bearings [illegible] up by 0.9 per cent to DM1.53bn. However, sales in [illegible] industrial [illegible] division – including industrial sewing machines, hydraulic brake parts, grinding wheels, and measuring instruments – were 12 per cent lower [illegible] DM416m.

The company said group [illegible] for the full year [illegible] be [illegible] of the [illegible] trend in new orders, [illegible] work continuing. Profits [illegible] thus [illegible] a further [illegible].

No recovery in market this year, warns British Steel

By [illegible] Leadbeater, Industrial Editor, in London

BRITISH Steel warned yesterday that recovery in the steel market would be delayed until next year. The remarks will be taken in some quarters as confirming the Confedera[illegible] of British Industry's gloomy forecast for the [illegible]omy, as reported in its Industrial Trends Survey.

Sir Robert Scholey, British Steel chairman, told [illegible] company's annual meeting [illegible] dif[illegible] trading conditions would persist into next year. [illegible] warned further that any improvement in the [illegible] market would depend on [illegible] UK [illegible] and on the other [illegible] economies moving forward, and [illegible] no signs of a recovery from [illegible] particularly tough first three [illegible] of the year.

His [illegible] suggest the [illegible] will [illegible] further [illegible] profits after [illegible] 65 [illegible] decline [illegible] pre-tax profits to [illegible] ($426.7m) for last year. Institutional analysts believe British Steel's profits [illegible] 1991-92 could fall [illegible] £100m or below.

Sir [illegible] sombre assessment of the economic outlook was in line [illegible] the CBI survey published [illegible] Tuesday which [illegible] that there was no sign [illegible] a recovery.

[illegible] outlook [illegible] British Steel largely reflects the depressed [illegible] of [illegible] UK manufacturing and [illegible].

Exports were [illegible] 10 per [illegible] but [illegible] Steel still [illegible] about [illegible] cent of [illegible] in the UK.

Sir [illegible] also [illegible] restructuring within the European [illegible] industry to cut inefficient capacity.

[illegible] pointed out in [illegible] speech that: "The market weaknesses, coupled [illegible] the increasing vigilance on the part [illegible] European Commission [illegible] respect of [illegible] aid, should [illegible] producers [illegible] seriously at the whole question of restructuring and capital investment."

Sir Robert warned that there was a risk that [illegible] subsidies might [illegible] into public-owned parts [illegible] the industry, giving it [illegible] of security.

British Steel is particularly concerned by the [illegible] ment for Credit Lyonnais, the French state-owned bank, [illegible] FFr2.5bn [illegible] for a 10 per [illegible] stake in Usinor-Sacilor, the French state-owned [illegible]maker.

Sir Robert [illegible] the company's decision [illegible] in Scotland, including its hot strip mill at Ravenscraig, [illegible] mill at Clydesdale [illegible] plate mill at Dalzell.

[illegible] company intends [illegible] to [illegible] details for proceeding with plans for [illegible] plate mill [illegible]. Analysts calculate it would [illegible] than £400m.

Hughes Aircraft backs private satellite plan

By [illegible] Leadbeater, Industrial Editor

[illegible] Aircraft Company yesterday threw its weight [illegible] US private-sector plan to [illegible] global [illegible] telecommunications network, which will challenge [illegible] monopoly enjoyed by [illegible] consortium [illegible] telecommunications [illegible] in [illegible] satellite services.

Hughes published [illegible] memorandum [illegible] understanding with Alpha Lyracom, [illegible] private [illegible] operator.

That preliminary step [illegible] wide-ranging joint venture between [illegible] two groups. The [illegible] could [illegible] worth between $500m [illegible] $650m.

Alpha Lyracom entered [illegible] satellite services business three years [illegible] with the launching [illegible] PanAmSat transatlantic satellite. [illegible] represented [illegible] challenge to [illegible] monopoly [illegible] international satellite [illegible] run by Intelsat, [illegible] of [illegible] communications utilities.

The understanding [illegible] Hughes and Alpha Lyracom, wh[illegible] is designed to act as the [illegible] for [illegible] detailed agreement [illegible] signed [illegible] August 15, is [illegible] to [illegible] global [illegible] network by [illegible] mid-1990s.

The [illegible] further [illegible] the way in which international telecommunications [illegible] gradually being opened up [illegible] competition.

Alpha Lyracom [illegible] set up [illegible] system, [illegible] called ORBX, using three [illegible] which it [illegible] ordering from Hughes. These will [illegible] positioned above [illegible] Atlantic [illegible], the [illegible] and the Indian Ocean [illegible] provide [illegible] global service to broadcasters, large companies and other intensive users [illegible] telecommunications.

The satellites are scheduled [illegible] launching in the first quar[illegible] 1994.

Alpha has signed several complementary [illegible] with Hughes [illegible] Hughes [illegible] co-operative marketing [illegible] ORBX [illegible] Hughes services, including [illegible] satellite capacity.

Record profits at Hafslund

HAFSLUND Nycomed, [illegible] Norwegian pharmaceutical company, has lifted second-quarter pre-tax profits [illegible]), compared with [illegible] in the same period [illegible] Taylor in Stockholm.

However, pre-tax profit for [illegible] half [illegible] NKr539m, only NKr1m more than for the same period [illegible]. The main reason [illegible] dollar, which led to a net loss of [illegible] in foreign exchange. [illegible] items brought [illegible] NKr193m.

For the first half [illegible] the year, operating revenues [illegible] 35 [illegible] to NKr2.57bn, while the company's operating profit, [illegible] and development, increased by [illegible] similar proportion, to NKr996m.

The [illegible] because since it had subs[illegible]tial revenues in US dollars, the loss would be gradually [illegible].

The company's success stems from its sale of omnipaque, an injected liquid used to highlight X-rays of soft tissue.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Placer Pacific first-half profits slip

By Mark Westfield

A SHARP rise in tax and a slump in production by its Kidston [illegible] Mines subsidiary pushed *Placer Pacific's* [illegible] half net profits down by 15 per cent to A$24.3m (US$18.8m).

Total [illegible] months were up 20 per cent to A$258m because of surging pro[illegible] from [illegible] owned Porgera gold mine in Papua New Guinea.

Placer Pacific's operating profit before tax [illegible] a 1 per cent increase on the previous corresponding period to A$45.1m.

The 229 [illegible] to A$20.1m [illegible] A$6.1m, reflecting the 35 [illegible] rate imposed on gold production by the PNG government, dragged down net earnings.

Interest costs were up from A$6.3m to A$9.3m and depreciation, due mainly to the inclusion of Porgera, increased to A$62.5m from A$42.8m.

The profits rise from Placer's Porgera share, however, more than offset the 84 per cent drop from A$13.7m to A$5.3m in earnings from Kidston Gold.

Kidston decided last year to step up mining before the Australian government's gold tax came into effect on January 1, leaving the ore body heavily depleted. Production from the mine for the first six months of the year fell to 94,350 ozs from 121,700 ozs in the same period last year.

Porgera's potential is demonstrated by Placer's latest quarterly production report which estimates that total production will exceed 900,000 ozs in [illegible] and more than 1m ozs next year.

Placer's share for the six months just gone was 149,400 ozs.

Production costs are running at [illegible] an ounce, compared with [illegible] typical Australian mine's [illegible] of A$300 an ounce or more.

The Australian gold price yesterday was A$468 an ounce.

Newmont and BHP merger lifts earnings

By Mark [illegible] in Sydney

THE MERGER of [illegible] has produced a promising first-half result for 1991 with after-tax earnings of A$25.15m (US$19.4m), [illegible] on [illegible] full-year earnings of A$60m.

[illegible] addition [illegible] BHP [illegible] into [illegible] has [illegible] pre-tax profits of the old Newmont to [illegible].

The [illegible] were tempered by production [illegible] the company's [illegible] gold mines, [illegible] prices for Newcrest's mineral sands output during the period.

Newcrest has revised its full-[illegible] sales estimate down[illegible] to 715,000oz, [illegible] delays in introduc[illegible] a new [illegible] processing at [illegible] expects [illegible] better second-half result for the company overall in spite of this setback.

Newcrest directors reported [illegible] of [illegible] veins [illegible] cent owned [illegible]ington joint venture had [illegible] "significant [illegible]"

Average [illegible] for [illegible] quarter [illegible] an [illegible] from [illegible] first-quarter's A$344 because of the delays at Telfer.

Newcrest has been realising gold prices of about A$570 an ounce, about [illegible] the average spot price, through its *hedging* [illegible].

Newcrest sold its 55 per cent holding [illegible] Gympie gold [illegible] to Devex for A$3.5m, realising [illegible] A$1.60m profit. [illegible] not [illegible] an [illegible].

Coles Myer to shed 800 jobs in supermarkets

COLES [illegible], Australia's largest [illegible] is [illegible] Supermarkets, [illegible] *national* chain, [illegible] poor [illegible] conditions, Reuter [illegible] from Melbourne.

The group said that [illegible] be lost represented [illegible] 2 [illegible] cent [illegible] its [illegible]

Mr Richard Thomas, director of corporate affairs, said that the programme of redundancies affected staff at all levels of the business, from shop floor to management.

Mr Thomas explained the decision: "The present environment in terms of [illegible] profitability [illegible] competitive [illegible] of [illegible] industry [illegible] requires [illegible] one operates [illegible] the [illegible] efficient [illegible] economic [illegible] levels."

Coles Myer is expected to announce its sales revenue *figures for the year to July on* August 5 and its full results in mid-September.

Coles Myer reported [illegible] profit of A$365.1m (US$282.5m) in the year to July 29, 1990 on total sales of A$14.72bn.

Lane Crawford reports profits down by 33%

LANE Crawford International, part of the World International property group founded by Sir Y.K. Pao, yesterday started the *group's* reporting season by announcing a sharp fall in profits as margins were eroded by higher operating costs, writes Angus Foster in Hong Kong.

The company, an up-market retailer, announced that profits attributable to shareholders fell 33 per cent to HK$120.7m (US$15.4m) for the year to the end of March. *It* said higher inflation, a slower economy and the Gulf war combined to make the year "very difficult".

Lane Crawford is recommending a cut in its final dividend, to total 60 cents per A share and 6 cents per B share, compared with last year's 80 cents and 8 cents respectively.

● A GROUP of minority shareholders in Crocodile Garments is to try to invalidate a property transaction between the company and its controlling shareholder, Lai Sun Development. The group, represented by Anglo Chinese Corporate Finance, claims the transaction was detrimental to Crocodile and yesterday filed a petition *in the High Court. The case* resumes on August 12.

Although Turnover improved slightly to HK$1.43bn, profits and margins were [illegible] higher [illegible] especially higher [illegible] for [illegible]

Pancontinental deal 'was fair'

TROUBLED Pancontinental Min[illegible] proposed sale of its Jabiluka uranium deposit to rival Energy Resources of Australia (ERA) for A$125m (US$96.8m) was fair and reasonable, according to an independent report to shareholders who need to approve the deal, writes Mark Westfield.

Grant Samuel and Associ[illegible] merchant bank, said Pancontinental was likely to [illegible] negative cashflow this financial year, which made the sale inevitable. Jabiluka could *be worth more than A$125m* to ERA, which operates the Ranger uranium mine 15km away, but could be worth between A$20m and A$100m to a third party. Jabiluka contains an estimated 204,000 tonnes of uranium oxide.

Dofasco orders increase 'may herald a recovery'

By Robert Gibbens in Montreal

DOFASCO, Canada's [illegible] steelmaker, [illegible] hit [illegible] by the recession in the [illegible] *quarter* but [illegible] that a [illegible] in [illegible] may herald [illegible]

The [illegible] quarter showed [illegible] loss of C$24.6m [illegible] or 47 cents a share, against a profit of C$27.7m, or 32 cents, a year earlier, on revenues [illegible] against C$595m. [illegible] period includes a [illegible] restructuring charge.

[illegible] to [illegible] demand and [illegible] prices, [illegible] well [illegible] impact [illegible] the high [illegible] dollar. [illegible] company specialises in rolled products, particularly sheet metal for the car and appliance industries. Demand has bottomed out recently, says Dofasco, although prices are still depressed.

The [illegible] loss [illegible] C$13.4m, or 40 cents, [illegible] a profit of C$37.7m, or 37 cents, on revenues of C$1.06bn, compared with C$1.17bn.

Dofasco has already written off its investment in Algoma Steel and will not invest any more money in its former subsidiary. Dofasco now has nearly C$1bn of debt, while Algoma is trying to restructure its own C$800m debt.

Singapore Electronic offer 187 times oversubscribed

A [illegible] share offer by [illegible] Singapore Electronic and Engineering [illegible] oversubscribed [illegible] times, emphasising [illegible] strength of local interest in [illegible] share [illegible]rs, Reuters reports from [illegible]

[illegible] applied for [illegible] an [illegible] 18.98m existing [illegible] each at S$1.25, according to the Development [illegible] Singa[illegible]

SEEL, a unit of Singapore Technologies Industrial Corp (STIC), [illegible] electronic systems [illegible] involved [illegible] various sectors, including the [illegible] *nications*, [illegible]

It is the third time in a month that a public share offer by a company seeking listing on the Stock Exchange of Singapore has been heavily oversubscribed.

An offer of 34.15m shares by another STIC subsidiary, SAL Industrial Leasing, was 106 times oversubscribed, while an [illegible] of 39.17m [illegible] by [illegible] computer systems firm [illegible] Holdings [illegible] was [illegible] oversubscribed earlier [illegible] month.

Investor interest on the local market has been focused on new issues, which are commonly regarded as a guaranteed way of making quick profits in Singapore.

Losses mount [illegible] Lavalin

By Robert [illegible]

LAVALIN Industries, a principal publicly-held com[illegible] *the troubled Lavalin* engineering group, has reported a [illegible] of [illegible] (US$19.9m), or [illegible] a share, for the nine [illegible] toMay 31, against [illegible] of C$2.3m, [illegible] cents, a [illegible] earlier.

[illegible] to C$331m from [illegible]

Kemtec, a petrochemicals *subsidiary*, [illegible] *for* [illegible] of the latest loss, but the UTDC rail equipment subsidiary also lost money. Kemtec has been shut down as part of efforts to keep the Montreal-based parent company afloat, and has been put up for sale.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on July 31

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅞	102¼	+⅛	7.35
ALBERTA PROVINCE 9 3/8 95	600	103⅞	104¼		8.24
AUSTRIA 8 1/2 00	400	98¾	99¼	+⅛	8.70
BANK OF TOKYO 8 3/8 96	100	99⅛	99⅝	+⅛	8.59
BELGIUM 9 1/8 92	400	101⅞	102⅛		7.30
BFCE 7 3/4 97	150	98⅛	98⅝	+⅛	8.13
BNP 8 5/8 94	[illegible]	102	[illegible]	+⅛	7.85
BP CAPITAL 9 5/8 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CANADA 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CARCO 9 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE 9 1/4 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
COUNCIL EUROPE 8 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CREDIT FONCIER 9 1/2 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK 8 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK 8 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EESC 8 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 7 1/4 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7 3/4 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9 1/4 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELEC DE FRANCE 9 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EUROFIMA 9 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EXPORT DEV CORP 9 1/2 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINLAND 7 7/8 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINNISH EXPORT 9 3/8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FORD MOTOR CREDIT 9 1/2 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GEN ELEC CAPITAL 9 3/8 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 9 1/8 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINSBK INT 7 94 LFr	600	94⅛	95⅛		9.15
KREDIETCORP 7 93 LFr	1000	[illegible]	96¼		9.48
WORLD BANK 8 96 LFr	1000	96¼	98⅛		8.99
AMRO BANK 6 1/4 92 Fl	150	96½	97¼		8.80
RABOBANK 5 3/4 93 Fl	150	94¼	95¼		9.41
ALBERTA PROVINCE 10 92 C$	500	100⅛	100⅛		9.83
BCE INC 9 5/8 93 C$	300	99⅛	99⅞		10.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FLOATING RATE NOTES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONVERTIBLE BONDS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Treasuries rally strongly on weak economic data

By Patrick Harverson in New York and Sara Webb in London

US Treasury prices firmed yesterday morning [redacted] response to weaker-than-expected Chicago purchasers' data and factory orders data.

At midday, the [redacted] 30-year Government bond [redacted] up [redacted] at 97½, yielding 8.352 per cent. The two-year [redacted] was equally firm, up ⅛ at 100⅛, yielding 6.77 per cent.

The market moved higher after the [redacted] Department reported a 1.4 per cent decline in June factory orders. Although the decline had been expected in the wake of last [redacted] report of lower June [redacted] orders, the [redacted] of [redacted] fall surprised [redacted] market, as did the downward revision of May's orders from a 2.9 per cent increase to a 2.3 per cent increase.

Likewise, a small rise in the Chicago purchasing managers index for July was unexpected and helped keep prices firm at the long end. The market is now awaiting tomorrow's employment data amid hopes that a large rise in the jobless total will persuade the Federal Reserve to cut interest rates.

GOVERNMENT BONDS

■ GERMAN [redacted] rallied, helped by firmer US Treasuries and a [redacted] than-expected outcome [redacted] tion of Unity [redacted] bonds.

In a tender for the [redacted] 10-year Unity [redacted] due August [redacted], the government accepted [redacted] for [redacted] at [redacted] price [redacted] yielding [redacted]. By [redacted] afternoon, [redacted] bonds yielded 8.645 per cent as the market rallied.

The Bundesbank [redacted] DM2.2bn of the [redacted] for market regulation. The [redacted] was DM7bn, including the DM2bn of bonds [redacted] through the [redacted] bond [redacted] on Tuesday.

The [redacted] bund [redacted] contract opened at 83.66 and rose to a high of 83.95 before falling to 83.92. Dealers reported some further trading out of French, Danish and Ecu bonds into the German bund market.

■ THE rally in the US and German markets helped to lift UK government bond prices after a weak start to trading.

Gilt prices picked up in the afternoon to close slightly up on the day. The benchmark 11¾ [redacted] gilt due [redacted] opened [redacted] 110⅜ and [redacted] 110½ by [redacted] per [redacted].

■ HEAVY buying of futures helped [redacted] push [redacted] Japanese government bond prices [redacted] day. Dealers said several large programme trading orders were placed as JGB futures reached a certain level.

The yield on the benchmark No 129 JGB opened at 6.585 per cent, moving to 6.615 per cent on worries that German interest rates could be raised soon in order to curb inflation in Germany. The yield closed at 6.57 per cent in Tokyo.

An auction of about Y300 to [redacted] of 20-year [redacted] will take place today with an expected [redacted] to 6.7 per [redacted].

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	[redacted]	[redacted]	Yield	Week ago	[redacted] ago
AUSTRALIA		12.000	11/01	108.0324	-0.001	[redacted]	[redacted]	11.06
BELGIUM		[redacted]	08/00	[redacted]	[redacted]	9.54	9.47	[redacted]
CANADA *		[redacted]	[redacted]	[redacted]	[redacted]	9.93	[redacted]	10.05
DENMARK		9.000	11/00	[redacted]	[redacted]	9.46	9.35	9.26
[redacted]	BTAN	[redacted]	[redacted]	[redacted]	[redacted]	9.41	9.30	9.22
	OAT	9.500	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
GERMANY		[redacted]	[redacted]	[redacted]	[redacted]	8.66	8.67	[redacted]
ITALY		12.500	[redacted]	96.6800	[redacted]	[redacted]	[redacted]	13.41
JAPAN	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	6.95	[redacted]	[redacted]
	[redacted] 129	[redacted]	03/00	99.0064	[redacted]	6.59	6.66	[redacted]
NETHERLANDS		8.500	03/01	[redacted]	[redacted]	[redacted]	8.69	[redacted]
SPAIN		11.900	07/96	[redacted]	[redacted]	12.17	12.09	[redacted]
UK [redacted]		[redacted]	[redacted]	[redacted]	[redacted]	10.23	[redacted]	[redacted]
		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	10.23	[redacted]
		9.000	[redacted]	[redacted]	[redacted]	9.93	[redacted]	10.17
[redacted] *		[redacted]	[redacted]	[redacted]	[redacted]	8.16	8.26	[redacted]
		[redacted]	05/21	[redacted]	[redacted]	8.36	8.45	8.45

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. [redacted]

Taiwan and Hong Kong in market accord

TAIWAN will link [redacted] interbank foreign currency call loan market with Hong Kong as a step towards becoming [redacted] leading Asian banking centre, Reuter reports from Taipei.

The Taipei Foreign Exchange Market Development Foundation has agreed to establish the link through Hong Kong broker Harlow Butler, the foundation said.

The link [redacted] expected [redacted] operating towards the [redacted] of this month, but details [redacted] not yet been decided. About 50 local and foreign banks take part in the market, which mainly trades US dollars, yen and D-Marks.

The market established its first overseas link with Singapore in February through Singapore broker Astley and Pearce, [redacted] began arranging [redacted] between banks in the [redacted] centres. The market has [redacted] total monthly [redacted] of around $13bn.

"We hope [redacted] link with Hong Kong will provide more trading opportunities for banks here, giving them [redacted] source [redacted] funds [redacted] stimulating activity in [redacted] market," the foundation [redacted].

[redacted] said the Hong Kong link would be a significant [redacted] developing the market, but the [redacted] trading volume would [redacted] limited.

They said other [redacted] the market's sluggishness, [redacted] relatively unsophisticated manpower and communications and the ingrained conservatism [redacted] players, would remain.

Pace of [redacted] issue activity slows

By Simon London in London

THE pace [redacted] new issue activity finally slowed in the international bond market yesterday as the market struggled to absorb the weight of paper launched over the past week.

However, banks continue to [redacted] in opportunistic fund[redacted] providing [redacted] steady supply of small retail-targetted deals.

INTERNATIONAL BONDS

Yesterday, NatWest Australia Bank, a subsidiary of the UK bank, launched a A$75m four-year deal, lead manged by NatWest capital markets. The issue follows three-year deals by BP America and Barclays Bank on Monday and Tuesday respectively.

[redacted] launching at [redacted] longer maturity [redacted] borrower could offer a higher [redacted], 11⅞ [redacted] against 11½ per cent [redacted] the Barclays deal and 11⅛ per cent for BP. The bonds were priced to yield 20 basis points more than the Barclays issue.

The lead manager headed a group of 30 banks aiming to place the bonds with retail investors. Participants in the deal said the pricing [redacted] fair, [redacted] for another issue. [redacted] price [redacted] 101⅝, [redacted] deal [redacted] less 1⅞ per [redacted] bid, a discount equivalent [redacted] full fees.

Elsewhere, Dresdner International Finance, a funding subsidiary of the German bank which is registered in Dublin for tax purposes, launched a DM400m four-year deal. Dresdner Bank, which was lead man[redacted] the deal, said it [redacted] sell most of the bonds to retail customers through its 1,500 branches. From an issue price of 101.55 the deal traded down to 99.95 bid, inside full fees of 1¾ per cent.

The supply of equity warrant bond issues by Japanese companies continued yesterday, with $100m four-year deals for [redacted] and Topy Industries, lead managed by Daiwa Europe and Nikko Securities respectively.

The issues were fairly [redacted] received. Both traded above the issue price of par. Syndicate managers said more stable conditions in the Tokyo equity [redacted] and higher coupons were ensuring [redacted] smooth placement – although [redacted] conditions can change quickly. Both of yesterday's [redacted] [redacted] 4⅝ per [redacted], whereas deals of this maturity [redacted] only 4¼ [redacted] cent.

● THE UK gilts [redacted] was the [redacted] performing government bond market during July, according [redacted] Kemper In[redacted] Management's database of 21 markets.

In sterling terms, a portfolio of UK government bonds provided [redacted] total return [redacted] per cent over the month, [redacted] ahead of the next-best market, Norway, which [redacted] a return [redacted] 0.63 [redacted] cent.

The pattern was similar in dollar terms, although the strength of the US currency boosted returns in all markets.

The gilts market returned 6.31 per cent over the month for a dollar-based investor.

The Japanese market showed positive return of 2 per cent in dollars, but a negative return of 1.78 per cent in sterling.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	[redacted] %	[redacted]	Maturity	[redacted]	Book runner
US [redacted]						
[redacted] Co.(a)♦	100	4⅝	100	1995	2¼/1½	[redacted] Europe
Topy Industries(a)♦	100	4⅝	100	1995	2¼/1½	[redacted]
[redacted]						
NatWest [redacted] Bk(a)†	[redacted]	11⅞	101⅝	1995	1⅞/1⅛	[redacted] Cap.Mkts.
[redacted]						
[redacted] Int.Fin.(a)†	400	9	101.55	1995	1⅞/1¼	[redacted]
[redacted] Co (a)♦	40	5⅞	100	[redacted]	2¼/1½	Deutsche [redacted]
[redacted] FRANCS						
[redacted] Gumi(b)★★§	50	4½	100	1995	-	[redacted] Bk [redacted]
[redacted] Taigen(c)★★§	45	[redacted]	100	1995	-	[redacted]
[redacted] Co.(d)★★§	30	5½	100	1998	-	[redacted]
Royal [redacted] Co.(e)★★§	20	[redacted]	100	1995	-	[redacted] Secs.(Switz)

[redacted] placement. §Convertible. ♦With [redacted] warrants. ‡Floating [redacted] note. [redacted] b) [redacted] 101½% declining ½% semi-annually. [redacted] option [redacted] at 108% [redacted] Coupon [redacted] semi-annually. [redacted] 30/9/94 [redacted] declining ½% semi-annually. [redacted] semi-annually. e) [redacted] option [redacted] 109⅞% [redacted] yield 7.516%. Coupon [redacted] semi-annually.

Banco di Napoli to privatise some capital

By Haig Simonian in Milan

[redacted] di Napoli, the big [redacted] bank, looks [redacted] public-sector financial institution to partially privatise its capital.

The bank is to raise between L400bn and [redacted] through [redacted] issue [redacted] 100m shares, priced [redacted] between L4,000 and L4,500 each.

[redacted] the new [redacted] will [redacted] for international investors through [redacted] public offering being led by [redacted] Suisse First Boston. The balance will be offered to holders of the bank's existing savings [redacted] on [redacted] basis.

Like many other public-sector banks, [redacted] Napoli has until [redacted] only [redacted] allowed to issue savings stock. U[redacted] new [redacted] number of [redacted] public [redacted] banks are now able to issue up to 49 per cent of their ordinary shares via the [redacted] exchange.

The deal, which has to be approved at an extraordinary general meeting in October, will also permit holders of the bank's existing savings shares to switch into the newly-created ordinary stock through a linked warrant issue.

Banco di Napoli will offer [redacted] eligible [redacted] savings [redacted] on [redacted] basis [redacted] every 10 savings shares held. Each warrant will give the holder the right to convert one savings share into one new ordinary share. Further terms will be announced later this year.

[redacted] planned [redacted] follows the decision of the bank to change its legal status from charitable [redacted] to joint stock company.

Once the latest operation is completed, [redacted] cent of the [redacted] capital will [redacted] a [redacted] market listing.

■ CREDITO Romagnolo, [redacted] Italian regional bank indirectly controlled by Mr Carlo [redacted] Benedetti, [redacted] with [redacted] del Friuli, [redacted] smaller regional [redacted] under [redacted] control.

Despite [redacted] which [redacted] designed [redacted] advantage [redacted] stemming from [redacted] year's banking reform, Banca del Friuli will retain its separate identity. The bank [redacted] around [redacted] branches in north-east Italy, while Credito Romagnolo has [redacted] outlets, concentrated in the Emilia Romagna region.

[redacted] Romagnolo [redacted] plans to raise from 3 to 10 per cent the current limit on ownership [redacted] its shares and to switch its share quotation from the unregulated third market of the Milan Stock Exchange to the official [redacted].

UK merchant bank to value Crediop

By Haig Simonian

KLEINWORT [redacted], the UK merchant bank, has [redacted] appointed by the Italian Trea[redacted] Crediop, [redacted] government-controlled financial institution likely to [redacted] bought by Istituto Bancario [redacted] Paolo [redacted] Torino.

The decision marks the second time in little more than a week that a UK merchant bank has been chosen by the Italian authorities for prestigious valuation work as part of the [redacted] wave now [redacted] state-owned financial institutions.

Last week, S G Warburg was commissioned [redacted] the Treasury to value Istituto Mobiliare Italiano (IMI), [redacted] financial services and [redacted] banking group [redacted] is 50 per cent Treasury-owned.

Mexico to sell Bancomer, BCH

[redacted] Ministry of Finance [redacted] announced the privatisation [redacted] Bancomer, [redacted] country's second [redacted] banking institution, and Banco BCH, writes Rebecca Doulton.

Bancomer, with [redacted] employees and 756 branches, has total assets worth $23bn and [redacted] net worth of $1.6bn. Bids must [redacted] by August [redacted] Banco BCH has total assets of $1.6bn and a net worth of $116m, placing it as Mexico's ninth largest bank.

Old Mutual to launch trust

By Philip Gawith in Johannesburg

OLD MUTUAL, South Africa's largest life [redacted], plans to launch a Channel Islands-based investment trust, specialising in South African equities and aimed at international investors. It is sponsored and underwritten by Smith New Court Securities.

The [redacted] directly [redacted] the lifting [redacted] sanctions against South Africa and represents another step in the country's gradual return into the [redacted] financial fold.

The intention is for the trust, which will be dollar denominated [redacted] open-ended, [redacted] be listed in [redacted].

"It represents far [redacted] trust – it is the opening by Old Mutual of an international shop window for [redacted] equities in Europe," said Mr [redacted] Niekerk, chief operating [redacted] of Old Mutual.

Flat profits [redacted] Arab Banking

[redacted] Banking Corp, the Bahrain-based international bank which was hurt by the Gulf war, made pre-tax profits of $57m in the first half of this year, roughly equivalent to the $58m [redacted] in the same period [redacted] previous [redacted], writes David Lascelles.

Operating profit for the period was $100m, up slightly from $97m. Total group assets [redacted] the [redacted] June were [redacted] from $22.5bn [redacted] year earlier.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed July 31 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Jul 30 Index No.	Mon Jul 29 Index No.	Fri Jul 26 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (184)	828.79	-0.5	10.42	5.83	11.84	22.56	832.90	834.85	835.32	869.51
2	Building Materials (24)	1058.54	-0.3	9.06	5.89	13.96	30.76	1061.61	1068.93	1078.04	1119.62
3	Contracting, Construction (31)	1143.53	+0.5	9.61	6.83	13.74	32.68	1137.83	1136.09	1162.36	1451.38
4	Electricals (11)	2448.00	-1.1	10.47	5.44	12.15	61.85	2476.45	2483.26	2484.59	2431.71
5	Electronics (25)	1689.87	+0.6	8.94	5.32	14.88	46.89	1680.01	1675.76	1678.45	1775.30
6	Engineering-Aerospace (8)	420.99	-0.2	16.26	5.96	7.39	12.11	421.64	420.89	422.96	464.01
7	Engineering-General (45)	453.41	-0.6	12.04	5.64	10.17	11.82	455.97	457.81	454.10	486.95
8	Metals and Metal Forming (8)	430.19	-1.7	16.40	8.21	7.49	16.93	437.58	439.37	437.20	480.63
9	Motors (12)	320.12	-0.7	12.38	7.49	9.53	10.28	322.27	322.79	322.98	348.11
10	Other Industrial Materials (20)	1604.52	-1.1	8.69	5.01	13.53	36.42	1621.58	1625.50	1611.62	1547.52
21	CONSUMER GROUP (187)	1522.73	......	7.62	3.58	16.18	25.63	1522.74	1516.72	1513.79	1311.37
22	Brewers and Distillers (22)	1842.16	+0.1	8.35	3.60	14.60	34.70	1840.50	1828.71	1829.94	1647.80
25	Food Manufacturing (19)	1201.96	......	9.55	4.12	12.93	24.43	1202.39	1204.64	1202.95	1099.68
26	Food Retailing (17)	2730.71	+0.5	7.87	3.05	16.61	39.61	2716.25	2701.10	2698.04	2588.72
27	Health and Household (22)	3633.56	-0.3	5.34	2.37	21.36	30.93	3645.18	3616.61	3609.42	2552.28
29	Hotels and Leisure (23)	1296.79	-0.8	9.25	5.32	13.05	32.35	1307.14	1303.15	1289.37	1451.56
30	Media (26)	1431.17	+0.2	8.20	4.96	15.83	38.26	1427.90	1427.09	1436.41	0.00
31	Packaging, Paper & Printing (17)	747.64	......	7.53	4.41	16.04	15.15	748.01	749.41	749.97	604.17
34	Stores (32)	988.59	+0.3	7.75	3.76	16.85	17.06	985.89	984.42	978.15	828.05
35	Textiles (9)	587.14	+0.6	8.55	5.28	14.52	13.79	583.67	582.95	576.18	487.52
40	OTHER GROUPS (109)	1260.07	-0.4	9.79	5.11	12.74	29.31	1265.64	1271.06	1269.59	1147.56
41	Business Services (12)	1337.92	+0.5	8.07	4.87	15.34	29.77	1331.57	1333.49	1324.69	0.00
42	Chemicals (21)	1433.86	+0.2	7.15	5.03	17.25	33.03	1430.38	1429.68	1416.23	1229.21
43	Conglomerates (10)	1452.29	-0.1	10.28	7.26	11.75	35.14	1454.14	1473.70	1466.45	1596.96
44	Transport (13)	2245.22	......	8.42	4.75	14.71	50.50	2245.65	2248.03	2226.48	2322.78
45	Electricity (16)	1217.92	-1.1	14.19	5.34	9.00	18.41	1231.58	1239.20	1233.62	0.00
46	Telephone Networks(4)	1520.01	-0.7	9.76	4.01	13.41	28.31	1530.57	1533.05	1543.28	1187.44
47	Water(10)	2337.90	-2.1	17.47	6.58	6.33	118.37	2387.82	2433.47	2466.73	2002.48
48	Miscellaneous (23)	2002.20	-0.1	6.07	4.82	21.36	47.89	2004.98	2005.64	2002.88	1713.72
49	INDUSTRIAL GROUP (480)	1269.55	-0.2	8.86	4.51	13.98	26.53	1272.57	1272.48	1270.95	1161.11
51	Oil & Gas (20)	2483.22	-0.4	10.92	5.51	12.04	67.26	2494.06	2491.03	2485.61	2409.42
59	500 SHARE INDEX (500)	1372.36	-0.3	9.12	4.64	13.70	29.82	1375.97	1375.67	1373.85	1264.90
[redacted]	FINANCIAL GROUP (92)	808.71	-0.1	-	5.85	-	21.65	809.36	810.91	803.86	793.12
62	Banks (9)	935.57	......	6.45	5.94	23.23	24.83	936.12	943.66	931.41	840.93
65	Insurance (Life) (7)	1539.81	-0.1	-	5.37	-	41.64	1541.73	1535.22	1528.35	1469.76
66	Insurance (Composite) (6)	653.95	+0.1	-	6.70	-	20.23	653.36	650.62	650.94	666.42
67	Insurance (Brokers) (9)	1149.47	-0.8	6.84	5.88	18.97	30.61	1158.52	1145.34	1146.65	963.55
68	Merchant Banks (7)	436.88	+0.9	-	4.80	-	11.00	432.95	432.92	425.01	436.91
69	Property (35)	923.96	-0.3	6.12	5.01	23.09	19.84	926.85	928.52	917.78	1095.81
70	Other Financial (19)	248.99	-0.1	11.22	7.07	11.17	7.99	249.21	249.37	247.71	288.29
71	Investment Trusts (69)	1224.22	......	-	3.50	-	20.95	1224.05	1222.38	1219.77	1209.80
99	ALL-SHARE INDEX (661)	1235.89	-0.2	-	4.77	-	27.55	1238.75	1238.79	1235.92	1151.66

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 30	Jul 29	Jul 26	Jul 25	Jul 24	Year ago
FT-SE 100 SHARE INDEX♦	[redacted]	-6.8	2603.6	2588.3	[redacted]	2595.0	2589.3	2579.6	[redacted]	[redacted]

FIXED INTEREST

	PRICE INDICES	Wed Jul 31	Day's change %	Tue Jul 30	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.01	+0.03	120.97	1.75	7.13
2	5-15 years (27)	131.23	+0.09	131.11	1.75	8.39
3	Over 15 years (9)	139.76	+0.12	139.59	3.11	6.44
4	Irredeemables (6)	153.20	+0.44	152.52	2.45	7.34
5	All stocks (70)	130.36	+0.08	130.25	1.90	7.88
	Index-Linked					
6	Up to 5 years (1)	160.27	-0.05	[redacted]	0.72	2.72
7	Over 5 years (10)	145.02	-0.14	145.21	0.57	2.76
8	All stocks (11)	146.02	-0.13	146.22	0.58	2.76
9	Debs & Loans (56)	109.89	....	109.88	2.47	5.89

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 31	Tue Jul 30	Year ago (approx.)
	British Government				
1	Low	5 years	9.03	9.04	10.65
2	Coupons	15 years	9.84	9.87	10.65
3	(0%-7¾%)	20 years	9.84	9.87	10.65
4	Medium	5 years	10.23	10.23	11.86
5	Coupons	15 years	10.04	10.06	11.10
6	(8%-10¾%)	20 years	9.98	10.00	10.90
7	High	5 years	10.40	10.40	11.97
8	Coupons	15 years	10.16	10.18	11.35
9	(11%-)	20 years	10.06	10.09	11.16
10	Irredeemables	†	10.03	10.08	10.73
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.42	4.40	5.14
12	Inflation rate 5%	Over 5 yrs.	4.39	4.37	4.28
13	Inflation rate 10%	Up to 5 yrs.	3.48	3.45	4.03
14	Inflation rate 10%	Over 5 yrs.	4.19	4.18	4.09
15	Debs &	5 years	11.90	11.90	13.87
16	Loans	15 years	11.67	11.66	12.79
17		25 years	11.45	11.44	12.50

♦Opening index 2597.7; 9 am 2600.[illegible]; 10 am 2596.4; 11 am 2588.9; Noon 2593.8; 1 pm 2594.7; 2 pm 2592.7; 2.30 pm 2592.7; 3 pm 2590.9; 4.10 pm 2589.3; (a) [illegible] (b) 3.29pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of con[redacted] is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription [redacted] FINSTAT, [redacted] House, [redacted] London EC3N 1DY. Tel: 071-702 0991. CONSTITUENT CHANGES: Deletion: Babcock Prebon (70), Brent Walker (29), Clayform [redacted], First Tokyo Index (71), [redacted] ADDITIONS: Blick [redacted] Lowndes Lambert (57).

RISES AND FALLS YESTERDAY

	Rises	[redacted]	Same
British Funds	[redacted]	15	24
Corporations, Dominion and Foreign Bonds	0	5	15
Industrials	290	[redacted]	967
Financial and Properties	116	94	530
Oils	18	20	52
Plantations	0	0	[redacted]
Mines	46	24	[redacted]
Others	71	37	52
[redacted]	585	454	1,739

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	-	107	101	Abtrust Preferred Inc. Tst.	102		♦N12.32	-	10.1	-
$102	F.P.	-	108¼	104	Do. Zero Div. Prf.	108¼		-	-	-	-
-	F.P.	-	43½	30	Aegis Warrants 5p	43½	+5½	-	-	-	-
[illegible]	[redacted]	-	185	185	Brockhampton 10p	185		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-
30	Nil	-	6½pm	3½pm	Burton Group 10p	4½pm	
88	Nil	-	4pm	2pm	Countryside Props.	2pm	
[redacted]	Nil	-	7pm	2pm	Dean & Bowes 5p	2pm	
[redacted]	Nil	-	¼pm	¼pm	Eng. & O'seas Props. 10p	¼pm	
31	Nil	-	2½pm	¼pm	Ex-Lands 10p	¼pm	-¼
25	Nil	-	7pm	2pm	Hemingway Props.	2½pm	
75	Nil	-	1¼pm	1¼pm	Newson[redacted]	1¼pm	
87	Nil	-	18pm	10pm	JLI Group[redacted]	17½pm	
25	Nil	-	½pm	¼pm	Moorfields[redacted]	¼pm	
47	Nil	-	2pm	¼pm	Scottish Value Tst.	¼pm	
190	Nil	-	34pm	15pm	Trafalgar House A 20p	15pm	-3
25	Nil	-	4½pm	2½pm	Wheway	2½pm	-1½

a Annualised dividend. b Figures based on prospectus [redacted] d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and [redacted] based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

■ First Dealings July 22
■ Last Dealings Aug. 2
■ Last Declarations Oct. 24
● For [redacted] Nov. [redacted]

For [redacted] see [redacted] London Share Service

Calls in Barratt Devs., Control Sec., Dale Elect., Medeva ordinary shares and warrants, Meekatharra, Premier Cons., Richmond Oil, Trident Pet. and Westminster Scaffolding. Put in TV-am.

LONDON TRADED OPTIONS

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
Allied Lyons (*585)	[redacted]	107	120	1½	5	8	
	550	57	68½	84½	8½	15	19
ASDA (*93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Airways (*174)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SmKl Beecham A (*794)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*418)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.P. (*344)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Steel (*129)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
Unilever (*755)	750	38½	55½	68½	20	26½	32½
	800	15½	30½	43½	46½	54½	60½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas (*272)	260	18	25½	29½	3½	6	10
	280	5½	14	19	12	15½	18½
Dixons (*245)	220	29½	[redacted]	[redacted]	[redacted]	[redacted]	8½
	240	14½	[redacted]	[redacted]	7½	12½	15½
Trafalgar (*[redacted])	211	16½	21	-	12	19	-
	220	-	-	22	-	-	27
Utd Biscuits	390	19½	[redacted]	37	14½	18½	22

Option		CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
Eurotunnel (*450)	420	42½	55	73	7½	15	20½
	460	20	36½	50½	24½	31½	36½
Glaxo	1250	70	104	136	32	46	55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 31 Total Contracts 21,140. Calls 14,870 Puts [redacted]. FT-SE Index Calls [redacted] Puts 1,541. Euro FT-SE Calls 345 Puts 514. *Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

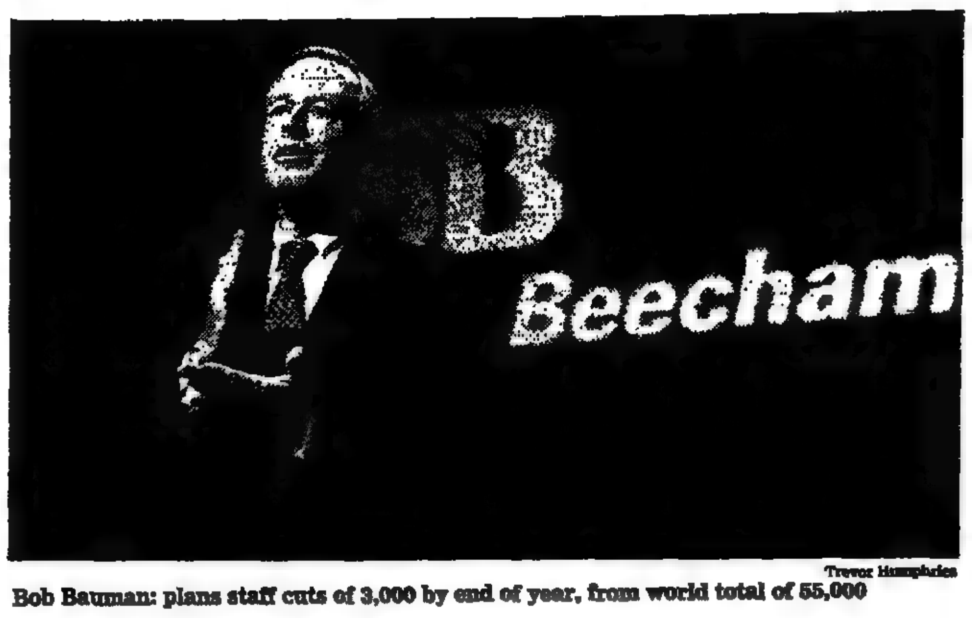
Lower costs help SB to £230m

By Robert Peston

SMITHKLINE Beecham pushed up pre-tax profits by 17 per cent from £197m to £230m in the three months to June 30, in line with brokers' forecasts, in spite of slower sales growth than the company had expected.

Mr Bob Bauman, chief executive of the pharmaceutical and healthcare concern, admitted that the 3 per cent increase in turnover from continuing operations to £1.16bn was below target. However, if the value of US sales had been translated into sterling at the same rate as last year, the growth rate would have been 6 per cent. Mr Bauman said sales growth had accelerated in the past few weeks.

The company was formed two years ago by the merger of SmithKline Beckman of the US and Beecham of the UK. Mr Bauman said it was continuing to find cost savings from the combination. "By the end of this year, we should have cut almost 3,000 from our world-wide staff numbers of 55,000."



Trevor Humphries

Bob Bauman: plans staff cuts of 3,000 by end of year, from world total of 55,000

This reduction in manufacturing [illegible] administration overheads was a big contributor to the profit increase. The profit margin increased from [illegible] per cent at the end of June last year to 20.4 per [illegible], if the effects of exchange rate movements are excluded.

SB's biggest selling drug is Tagamet, an ulcer treatment. [illegible] market share has been declining in the face of competition from Glaxo's Zantac and more recently from newer products, such [illegible] Losec, made by Astra of Sweden. However, sales of Tagamet in the US rose far faster than expected at 10 per cent.

Mr Bauman admitted that this rise was exceptional and unlikely to be sustained. Part of the increased demand stemmed from stockpiling by customers who were convinced that the price [illegible] product [illegible]. In [illegible] event, [illegible] price was held.

But SB has also been very successful in selling Tagamet in the US managed-healthcare market, which consists of medical co-operatives set up to buy prescription drugs in bulk at [illegible] prices.

Sales growth of all SB's pharma[illegible] products increased 13 per cent in the US, again adjusting for exchange movements. But in Europe, sales were just 1 per cent higher and fell 7 per cent elsewhere.

Turnover [illegible] consumer products division, which makes drinks such as Lucozade and Ribena and a variety of other well-known [illegible] products, [illegible] to [illegible] (£322m). However, this was due principally to strong sales on the Continent. US turnover fell 9 per cent, as retailers reduced stocks, and UK sales were just [illegible] per cent higher.

Mr Bauman said he was very encouraged by the £1m of sales generated in the UK by Seroxat, the anti-depressant launched [illegible] February. Analysts believe world-wide sales of Seroxat could reach £650m a year, though substantial growth will not [illegible] place until [illegible] approved for US sale, [illegible].

Earnings in the quarter rose 18 per cent to 11p per 'A' share and to 55p (89.7c) per equity unit – [illegible] "stapled" stock issued to US [illegible] in SmithKline [illegible] time of the merger. SB will soon have the right to convert the units into shares, but Mr Bauman said it would not be exercised.

A dividend of 3.75p per share has been declared, up 10 per cent. The payout on the units is 42.16c.

[illegible] shares closed down 20p at 795p.

See Lex

Allied Textile bucks trend with marginal rise

By Alice Rawsthorn

ALLIED TEXTILE Companies, [illegible] Yorkshire [illegible] textile [illegible] the downturn in [illegible] industry by [illegible] small increase [illegible] pre-tax profits from £5.27m [illegible] £5.31m in [illegible] months to March 31.

In spite of a fall in earnings per share to 12.81p (13.16p), the interim dividend is being lifted slightly to 4.4p (4.3p). Allied's shares rose by 8p to 394p on the announcement.

Mr Peter Honeysett, chairman, said the group, which has interests in most areas of wool textiles, had been able to maintain [illegible] "spread of product areas" in spite of the "poorest trading conditions for ten years" in some sectors of its [illegible].

Allied, like [illegible] companies, has been affected by the downturn in the market for wool clothing. [illegible] was also hit in the interim period – when turnover rose to £59.03m (£52.69m) – by the impact of the Gulf war and by the instability of the raw wool market, where prices fluctuated dramatically.

Last year Allied made substantial profits from property sales. Mr Honeysett [illegible] the property contribution was [illegible] weakness of [illegible] property [illegible].

However, he [illegible] Allied hoped [illegible] increase [illegible] property [illegible] again [illegible] year when interest rates came down and the property market recovered.

The group is also investing heavily in capital expenditure – particularly in its recently acquired carpet yarn spinning [illegible] – which should filter through to profits in the [illegible] financial [illegible].

Management reshuffle at Cadbury Schweppes

By Guy de Jonquières, Consumer Industries Editor

MR JIM Schadt has resigned as managing director of Cadbury Schweppes' worldwide beverage operations following the company's decision to move the top management of the business from the US to Britain.

The reorganisation also involves changes in the management of operations in the Pacific. Cadbury Schweppes said it wanted to integrate its headquarters' staff, to ensure consistent global strategies and enable resources to be allocated more effectively.

Mr Schadt has been replaced by Mr Frank Swan, formerly chief executive of Cadbury Schweppes Australia, who will also retain overall responsibility for beverage operations in Australia, New Zealand and the Pacific region. Mr Kevin [illegible] has been appointed managing director of Cadbury Schweppes Australia.

Mr Swan and about 20 of the 480 staff at Cadbury Schweppes' beverage division in Stamford, Connecticut, are moving to the UK. Cadbury Schweppes said Mr Schadt, an American citizen, wanted to stay in the US and had left on amicable terms.

Mr Schadt, who was a main board director of Cadbury Schweppes, took over as head of the beverage operations in [illegible]. He played an important role in expanding the business beyond mixers, notably [illegible] international acquisitions.

These include Canada Dry, Sunkist and Crush in the US, Tri Naranjus and Citresa in Spain and parts of the soft drinks business of Perrier of France. There has recently been speculation – denied by the company – that it was considering a bid for Dr Pepper, a leading US [illegible] drinks producer.

Cadbury Schweppes said the reorganisation would [illegible] reduce its [illegible] to the US. However, some City analysts saw yesterday's announcement as a sign that the company intends to give a priority to other parts of the world, where soft drinks markets are growing faster.

"The changes are clearly going to affect the shape and attitudes of the company's beverage business in the short- to medium-term because it will not be so obviously US-driven," said Mr John Campbell, food and drink industry analyst at County NatWest.

This is the second senior management reshuffle at Cadbury Schweppes in less than a year. Last September, Mr Neville Bain resigned as deputy chief executive and finance director to become group chief executive of Coats Viyella, the textile manufacturer.

Benson makes £2m call as profits return

Benson Group, Midlands-based engineer, yesterday announced a £2.2m rights issue to fund possible acquisitions and invest in existing businesses.

Announcing a taxable profit of £142,000 for the year to end-May compared with a previous loss of £3.74m, Mr Richard Phillips, chairman, said many attractive acquisition opportunities existed in the current economic climate, but that these could be lost unless consideration could be satisfied in cash.

The 1-for-2 rights issue at 10p per share is underwritten by Noble Grossart. Brokers to the issue, comprising 23.93m new ordinary shares, are Allied Provincial Securities.

All divisions traded profitably in the year, Mr Phillips said, and borrowings were halved to £1m.

Sales were £10.2m (£12.1m). Earnings per share were 0.41p (11p losses). The group plans to return to dividends in the current year.

EDS lifts offer for SD-Scicon by 25% and buys further 8%

By Richard Gourlay

ELECTRONIC DATA Systems, the General Motors subsidiary bidding for SD-Scicon, yesterday raised its offer by about 25 per cent, valuing the UK computer services company at £182m.

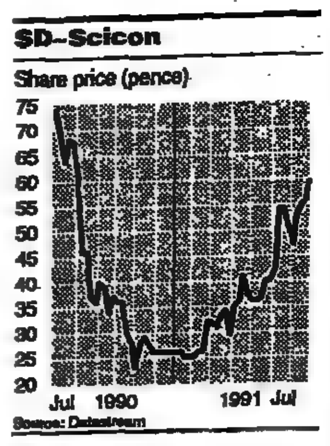
The new and final offer is 60p for the ordinary shares, compared to the earlier offer of 45p, and 139p for the preference, up from 102p.

SD-Scicon shares closed up 3p at 59p.

After the announcement, EDS bought 8 per cent of the ordinary shares in the [illegible], taking its stake to [illegible] 33 per [illegible].

Credit Suisse First Boston, EDS' advisers, said that these purchases suggested shareholders did not believe there was a white knight over the horizon.

SD-Scicon said the bid was still far too low for a company which had made profits of £5.9m in the first half of this year, was forecasting £14m for the full year, and had a leading market position in three countries.



Mr John Jackson, SD-Scicon chairman, said he would be advising institutional investors not to accept this offer and to "come along for the ride" as the share price would not again fall to the 30p level it reached before it came into play.

He called EDS a "devious bidder" which, earlier this week, was prepared to say it would hold its then 25 per cent stake and bid again at a lower level, but then increased its offer to 60p.

Mr Jackson said the block of shareholders who control 48 per cent and who last month said they would not accept the 45p offer, had told him or his advisers that they would still not sell their holdings in the market at the moment.

EDS said it was increasing its offer "to effect a speedy end to the uncertainty affecting SD-Scicon's employees and customers".

The US company said SD-Scicon's shareholders face[illegible] substantial risk if they [illegible] not accept the increased offer.

[illegible] said they should remember that SD-Scicon's actual performance appeared to be at variance with "the claimed powerful profit forecast and very strong recovery".

See Lex

Telfos tumbles to £5.84m loss

By Richard Gourley

TELFOS HOLDINGS, the railway rolling stock company that survived a hostile takeover bid this year after revealing a string of disastrous non-core investments, yesterday reported a loss in the 15 months to March as new management swept clean the corpo[illegible] carriage-work.

[illegible] a pre-tax loss for the period of £5.84m, compared with a profit of £5.27m.

The loss was £4.8m higher than the company had anticipated for the year to December 1990 in March at the time Jenbacher Werke, the Austrian rolling stock manufacturer, increased its stake to 29.9 per cent and injected £14m of new capital.

The loss stemmed from poor operating results at Hunslet-GMT and Qualter Hall, the supplier of mineshaft equipment, and [illegible] a [illegible] exceptional charge for the reorganisation of the Leeds factory and the closure of the London office.

Also taken above the line was a £3.3m loss on the sale of an investment in the Smaller Companies Investment Trust, a London-listed company where Mr Stephen Cockburn, Telfos's former chairman, is a director.

Extraordinary provisions of £18m were slightly lower than the company's £18.9m estimate for the end of last year. These provisions became necessary after a bid from William Cook, subsequently abandoned, flushed out troubles with Telfos's non-core investments.

The group had net cash of £3m and a strong shareholder in Jenbacher Transportation, which has about £40m in cash.

There is no final dividend, making 3.6p (10p for 1989).

NEWS DIGEST

First Tech to make disposals

SHARES IN First Technology were suspended at 27p yesterday morning before the automotive, fire, security [illegible] safety systems group revealed heavy losses and announced disposals to gain continuing support from its bankers.

The group [illegible] a pre-tax loss of £3.03m in the year to April 30 [illegible] turnover of £37.3m, but also [illegible] extraordi[illegible] provisions [illegible] £6.54m related [illegible] and disposals. In [illegible] previous [illegible] profits [illegible] on turnover of £41.5m.

The listing of the [illegible] was restored [illegible] the [illegible] closed.

The group plans to dispose to [illegible] management [illegible] Systems, [illegible] designs [illegible] control systems, [illegible] two automotive design companies, Design Engineering Consultancy [illegible] and Anglo-Swedish Computing.

The final dividend was passed, leaving a total for the year of 1p

Exchange rates rein in Yorkshire Chem

Adverse exchange [illegible] lower profits at Yorkshire Chemicals in [illegible] first half to June 30. On sales up 3 per cent at £44.8m taxable profits declined [illegible] per cent from [illegible].

Less than 10 per cent of the tanning materials and speciality [illegible] the [illegible] sold in [illegible] UK.

The interim is 4.75p (4.5p) on earnings [illegible] share of 18.7p (19.9p).

Neepsend suffers second half fall

Neepsend, [illegible] machine and [illegible] maker, saw full-year [illegible] from [illegible] £1.11m pre-tax.

Turnover for the 12 months [illegible] March 31 improved to [illegible] (£14.22m). A final dividend of 1p makes a same-again 1.5p total. Earnings emerged at [illegible] per share.

Unit falls into £240,000 loss

A difficult year at Unit Group saw its pallet division tackle reduced demand and its engineering division hit by [illegible] in defence spending.

On sales up from £26.2m to £28.8m [illegible] loss [illegible] reported [illegible] to March 31, compared with [illegible] previous profit [illegible] £733,771. Trading [illegible] from continuing businesses fell from [illegible],771 to £44,454.

UTEL, which made machinery used in pallet manufacturing, suffered losses of £151,228 and was [illegible]. In [illegible], exceptional [illegible] of £129,880 related to the reorgani[illegible] of continuing businesses.

[illegible] no dividend [illegible].

Prior loses £1m as property input drops

Prior, a property company, reported [illegible] £1.12m, against profits of [illegible] in the [illegible] to March 31. Turnover fell from £25.8m to £11m.

The contribution [illegible] sales from [illegible] property [illegible] fell from £11m to £5.4m.

An extraordinary item of £1.12m represented mainly [illegible] provision relating to the receivership of Knobs [illegible] Knockers, the [illegible] ironmongery business.

[illegible] no dividend [illegible].

Wheway sells units to MBO

Wheway has sold its Bevan Simpson and Midland Stom and Felco subsidiaries to Simpson [illegible] management buy-out [illegible] backed by Lloyds Development Capital for an initial £2.25m cash. Deferred consideration of up to £1.7m is payable over four years dependent on profits of Midland Stom.

Watmoughs shares fall 46p on warning

Shares in Watmoughs (Holdings) tumbled 46p to 350p last night after the printing group warned that pre-tax profits for the first half of 1991 would be "significantly below" the £5.08m achieved last time.

Mr Patrick Walker, chairman, said the company, like others in the industry, had experienced difficult trading [illegible] during 1991, with [illegible] particularly affected in [illegible] quarter.

DIVIDENDS ANNOUNCED

Abbey [illegible]	int	3.5	[illegible] 14	[illegible]	-	9.5
[illegible] Textile	int	[illegible]	[illegible]	4.3	-	12
Control Secs	fin	0.15	[illegible]	0.75	0.7	1.25
Cowie (T)	int	1.5	-	1.2	-	3.7
Daily Telegraph	int	[illegible]	Sept 18	[illegible]	-	21☆
Flem Enterprise	fin	3.1	Oct 8	2.8	4.3	3.8
Neepsend	fin	1	Sept 25	1	1.5	1.5
Prior	fin	nil	-	2.5	nil	6
Ransom (Wm)	fin	[illegible]	[illegible]	[illegible]	[illegible]	1.894
Smith Beecham	int	3.75♣	-	3.4	-	14
Telfos	fin	nil	-	6.4	3.6‡	10
Unit Group §	fin	nil	-	2.5	nil	5
Unitech	fin	7.5†	Oct 1	7.5	11.7	11.7
[illegible]	int	[illegible]	Oct 1	4.5	-	13.5

Dividends shown pence per share net except where otherwise stated. §USM stock. ☆Includes 12p special. ‡For [illegible] months. ♣Second interim.

MONTHLY AVERAGES OF STOCK INDICES

	July	June	May	April
Financial Times				
Government Securities	84.72	83.74	84.53	86.13
Fixed Interest	93.62	93.03	93.77	94.54
Ordinary	1953.2	1951.7	1952.2	1982.2
Gold Mines	208.5	197.6	155.1	140.8
SEAQ Bargains(4.45pm)	27,881	25,623	26,869	38,208
F.T.-Actuaries				
Industrial Group	1,240.52	1232.77	1233.85	1242.10
500 Share	1,342.46	1330.25	1331.16	1342.30
Financial Group	788.08	785.09	805.83	830.92
All-Share	1,208.52	1190.76	1203.75	1217.27
FT-SE 100	2530.1	2495.1	2493.3	2514.2
FT-SE Eurotrack 100	1107.24	1143.22	1127.59	1116.20

	Highest July close	Lowest July close
Ordinary	2011.8 (30th)	[illegible] (8th)
All-Share	1238.79 (29th)	1172.21 [illegible]
FT-SE 100	2595.8 (30th)	[illegible]
FT-SE Eurotrack 100	1120.13 (23rd)	[illegible]

Lilley to raise £24m [redacted] Spanish take 21.5% stake

By David Owen

THE AILING UK [redacted] sector received a much needed vote of confidence yesterday with the news [redacted] leading Spanish civil engineering groups [redacted] premium [redacted] yesterday's closing market price for [redacted] 21.5 per cent stake in Glasgow-based Lilley.

The deal will enable the [redacted] struction and contracting group to cut gearing by raising £24m through an issue of new ordinary shares at 54p.

The buyer will be Tibest Tres, a company jointly owned by Cubiertas and Entrecanales of Spain. Lilley, for its part, is to invest £8.35m in Cubiertas shares, as part of what are billed as [redacted] tion arrangements", giving [redacted] a [redacted] per [redacted] interest in the public [redacted] infrastructural [redacted]

Mr Bob Rankin, chief executive, said that besides strengthening the balance sheet, [redacted] deal would benefit Lilley by giving it access [redacted] larger infrastructural projects.

"The cross-shareholding [redacted] act as a real motivation for both sides [redacted] make sure that [redacted] collaboration work," he added.

From the Spanish [redacted]rspective, the dea[redacted] is the first in what [redacted] inten[redacted] be a series of cross-border tie-ups through which the joint-venture partners hope to exploit the globalisation of European markets.

"From a financial point of view, we think it is a sound investment," said Mr José Manuel Entrecanales of Entrecanales. "We think it [Lilley] was something of an undervalued company in the market."

In the wake of the transaction, which will be submitted for shareholder approval at an August 30 extraordinary general meeting, Lilley's *pro forma* net assets will rise to £55m, trimming gearing [redacted] about 29 per [redacted] from just under 100 per [redacted] at the last year-end.

[redacted] representatives are [redacted] invited to join [redacted] will then [redacted] 10-member Lilley board. Tibest Tres has entered into [redacted] standstill arrangement for [redacted] years, preventing it from raising [redacted] stake in Lilley above 23 per cent.

Last [redacted] company suffered [redacted] 26 [redacted] fall [redacted] £14.14m [redacted] pre-tax profits on sales of £323m.

Cubiertas, which is [redacted] main [redacted] on [redacted] Garibaile dam as well as various projects [redacted] both [redacted] Olympics and [redacted] '92 in Seville, had turnover [redacted] Pta163bn [redacted] in [redacted] Entrecanales, whose current projects include work on the Large Electron [redacted] for CERN in Geneva, turned [redacted]

[redacted] Lex

Macfarlane appointed finance director at Allied-Lyons

By Philip Rawstorne

ALLIED-LYONS, the [redacted] and [redacted] group, which [redacted] £147m on foreign currency dealings earlier this [redacted] terday announced [redacted] Mr Peter Macfarlane, [redacted] director of Rolls-Royce, [redacted] to be its [redacted] finance director.

The appointment of Mr [redacted]farlane, [redacted] inter[redacted] finance [redacted] particular expertise in treasury operations, [redacted] welcomed [redacted] the City.

Shortly after joining Rolls-Royce as [redacted] in 1979, [redacted] introduced [redacted] management systems for the company's foreign exchange [redacted]

"I see the job of a [redacted] treasurer [redacted] one of reducing exposure, not increasing it," he said yesterday.

That [redacted] provided [redacted] reassurance to institu[redacted] investors after the shock of Allied's foreign exchange [redacted] group has already [redacted] new management controls.

Mr Macfarlane, 53, will take up his new post on October 1.

Peter Macfarlane: expertise in treasury operations

The move will complete top management changes at the [redacted] which have [redacted] Mr [redacted] chairman, and Mr Tony Hales as chief executive.

Mr Tony Trigg, who has been acting as finance director since [redacted] resignation [redacted] Mr Cliff Hatch, is to join the board as managing director of Allied Breweries, under Mr Roy Moss.

Mr Macfarlane will bring [redacted]rience [redacted] general management [redacted] well as his financial skills to the Allied board.

During his [redacted] Rolls-Royce, [redacted] for [redacted] years director of its industrial [redacted] marine division. In 1985, he became [redacted] of corporate development and managed preparations for the company's privatisation.

He has been responsible [redacted] mergers and acquisitions activity and played a leading role in the £320m acquisition of NEI.

Control Secs makes BCCI provision

By Vanessa Houlder, Property Correspondent

A PROVISION of £3.8m against gross exposure to [redacted] Bank [redacted] Credit & Commerce Interna[redacted] helped push Control Securities, the property and leisure group [redacted] by Mr Nazmu Virani, into loss for the [redacted] to end-March.

[redacted] pre-tax level the loss [redacted] through [redacted] £3.3m compared with [redacted] year's profit [redacted] £23.7m. [redacted] company's [redacted] per share dropped by [redacted] per cent from 90.6p [redacted] 75.8p.

The final dividend [redacted] being [redacted] from 0.75p to 0.15p, making a 0.7p (1.25p) total.

The company stressed that it had an "excellent" relationship with its bankers and had funds available for [redacted] needs.

[redacted] move [redacted] loss followed exceptional charges of £18.2m. [redacted] £5.5m [redacted] arising from [redacted] a joint [redacted] with [redacted]haugh and [redacted] write-down [redacted] [redacted] properties of £3.6m. [redacted].8m provision against exposure to BCCI related to a £500,000 account for dividends awaiting collection, the rent on two buildings left vacant by BCCI [redacted] money in certain management [redacted] The company expects [redacted] overdraft with BCCI against its deposits.

Turnover in[redacted] from £115.8m [redacted] £130.6m while operating profits fell from £37.3m to [redacted] charge [redacted]

● **COMMENT**

No wonder Control Securities' shares crashed from 20p to 13.5p when [redacted] collapse [redacted] announced. [redacted] owned [redacted] rented two [redacted] buildings; Control [redacted] customer of the bank, [redacted] hundreds of [redacted] shareholders. However, yesterday's [redacted] suggested [redacted] the damage inflicted by BCCI was limited, prompting a partial recovery in [redacted] shares from [redacted] to 17.5p. [redacted] that alone has done little to narrow the discount to assets, which assuming a net asset value of 70p next year stands at [redacted] The [redacted] about Control clearly [redacted] further than its involvement with BCCI, with particular attention [redacted] on [redacted] ing, which if [redacted] payments are included, [redacted] 100 per [redacted] However, worries about Control's survival prospects [redacted] overdone. Interest payments are [redacted] by [redacted] rental income and prof[redacted] in [redacted] leisure division, which [redacted] performed strongly over the [redacted] It [redacted] hard to [redacted] in the shares, although any strong advance seems unlikely until the shock waves of the BCCI debacle have died away and its 5.4 per cent stake placed.

Cowie bucks recession with 28% advance

By Richard Gourlay

T COWIE, the finance and car dealer group, has ridden the worst recession in the car market for decades with a 28 per cent rise in profits helped by the strength of its second-hand sales and the fall in interest rates.

Pre-tax profits [redacted] from £6.06m to [redacted] in the six months to June on sales [redacted] marginally [redacted] £291.5m.

The interest charge fell by £2.58m [redacted] £20.1m on debt of £315.2m, which leaves the group [redacted] of 350 per cent, a level analysts [redacted] acceptable for the type of busi[redacted]

Earnings per [redacted] 20 per [redacted] to 4.58p and the company will pay an interim dividend of 1.5p, up 25 per cent [redacted] last time.

Mr Tom Cowie, chairman, [redacted] that [redacted] had never been [redacted] deep in the car industry and that [redacted] recent reduc[redacted] in interest charges [redacted] not yet stirred consumer demand.

[redacted] expected that national [redacted] of the new J-registration cars, which [redacted] today, would [redacted] at least [redacted] per [redacted] this year and that sales [redacted] recover [redacted]

Cowie's finance division, [redacted] in [redacted] hire and [redacted] leasing, [redacted] its profits by [redacted] per [redacted] £4.99m over the period.

Mr [redacted] that speculation [redacted] the Exchequer had [redacted] out the benefit [redacted] company [redacted] in his March budget, prompting companies [redacted] to offer [redacted] had proved [redacted] be unfounded.

The motor division, which sells new and second-hand cars [redacted] offers profitable [redacted]ons like bodywork and after-sales care, [redacted] ahead. Profits [redacted] per [redacted] £3.22m [redacted] the period on sa[redacted]

Part of [redacted] increase in sales was due to a contract to supply Hertz, the vehicle rental group, with 40,000 Ford and Vauxhall cars over [redacted] years and partly due [redacted] strength [redacted] the second-hand market.

Profits in the bus and coach operations, [redacted] Grey[redacted] which serves [redacted] rose from [redacted] to [redacted]

French merger cuts Unitech to £18.5m

By David Owen

UNITECH has reported [redacted] 30 per [redacted] decline from [redacted] to £18.5m in annual [redacted] profits, following a marked downturn at its connectors and special products unit.

Profit from this source tumbled from £8.13m to [redacted] The international electronic components maker attributed the reversal partly [redacted] the significant but unspecified [redacted] of merging its [redacted] French [redacted]nector companies.

The final dividend [redacted] maintained [redacted] 7.5p, giving [redacted] unchanged [redacted] 11.7p.

Turnover dropped by 12 [redacted] cent to [redacted] (£291.5m), reflecting [redacted]posal [redacted] three businesses with combined annual sales of [redacted] and adverse currency [redacted] The strengthening [redacted] sterling [redacted] depressed pre-tax profits [redacted] £1m.

Despite raising capital expenditure [redacted] a [redacted] year-end [redacted] to [redacted] gearing [redacted] 61 per cent (113 per cent).

This [redacted] partly [redacted] the proceeds from floating Nemic -Lambda, [redacted] Japanese [redacted] supply subsidiary.

[redacted] supplies continued [redacted] generate [redacted] lion's [redacted] and profit, contributing £19.4m (£21m) [redacted] turn[redacted] of [redacted] (£167.2m).

Earnings per share fell by 37 per cent to 11.5p (18.4p).

● **COMMENT**

If ever there [redacted] a [redacted] in thrall [redacted] two diametrically opposed schools [redacted] thought, Reading-based [redacted] the one. The bulls point [redacted] the value [redacted] the [redacted] stake, the group's strong international position in [redacted] highly fragmented global market and the [redacted] with comfortably more than [redacted] per [redacted] of the shares whose intentions [redacted] fully known [redacted] conclude that it is undervalued. The [redacted] highlight an extravagant p/e (assuming full-[redacted] profits [redacted] around [redacted] of about 22, [redacted] extreme difficulty [redacted] realising [redacted] value [redacted] shareholding with[redacted] breaking [redacted] up and jeopardising its international network and their perception [redacted] likelihood [redacted] a [redacted] diminishing [redacted] draw the opposite conclusion. Interestingly enough, [redacted] are propo[redacted] of both schools [redacted] thought who believe [redacted] might make a [redacted] purchase of [redacted] in short order, making [redacted] highly-rated paper. This would help to nip [redacted] emerging Advanced Corpo[redacted] Tax problem in the bud, they [redacted]

British Steel at crunch point over US joint venture

By Charles Leadbeater, Industrial Editor

BRITISH STEEL [redacted] the crunch point in its [redacted] with Bethlehem [redacted] of [redacted] on a joint [redacted] in [redacted] for [redacted]

[redacted] British Steel [redacted]tor [redacted] yesterday that the companies had [redacted] period [redacted] tough bargaining [redacted] they still differed [redacted] a number of key issues [redacted] ven[redacted] should [redacted] managed and financed.

The [redacted] British Steel executives leading negotiations on the [redacted]d deal are flying back [redacted] the US this week to [redacted]

Sir [redacted] Scholey, British [redacted] chairman, told [redacted] general meeting yesterday that both companies [redacted] determined that the venture should only proceed if it could meet [redacted] world standards of efficiency.

Three [redacted] issues [redacted] understood [redacted] heart of [redacted]

■ [redacted] a labour agreement which would [redacted] Bethlehem to compete with non-union mini-mills. [redacted] an agreement would not only involve heavy job losses [redacted] Bethlehem [redacted] could [redacted] new [redacted] for manning agreements within [redacted] traditional [redacted] Many UK analysts doubt [redacted] US [redacted] are prepared to agree a sufficiently [redacted] allow the venture to [redacted]

■ The [redacted] the [redacted] required could strain [redacted] resources [redacted] companies.

● [redacted] timing [redacted] the invest[redacted] is [redacted] at issue, particularly [redacted] British Steel [redacted] to [redacted] up [redacted] to set up the [redacted]

Lionheart in £7.7m buy as profits rise

Lionheart, the housewares and retail systems group which [redacted] been [redacted] on the takeover front [redacted] the past 12 months [redacted] so, yesterday unveiled [redacted] further acquisition and a sharp rise in first-half profits.

The acquisition [redacted] that of the [redacted] Company, a leading brand in bathroom and household products. Purchase price [redacted] £7.7m funded [redacted] the [redacted] of 45.8m [redacted] at 19p. The vendor [redacted] Hanson.

Croydex made operating profits [redacted] £1.3m on [redacted] of £17.2m in 1990.

[redacted] the six months [redacted] end-June Lionheart, formerly known [redacted] Spong Holdings, [redacted] profits [redacted] £768,000, compared with [redacted] previously.

St Modwen Properties tumbles to £1.02m

By Paul Cheeseright, Midlands Correspondent

[redacted] MODWEN Properties, the development and investment group [redacted] in [redacted] West Midlands, [redacted] the sector's customary profits decline in [redacted] half, but is now roughly matching [redacted] charges [redacted]

Pre-tax profits for the [redacted] months [redacted] end [redacted] £1.02m, compared with [redacted] is equal to earnings per [redacted] (1.7p).

First-half earnings in the [redacted] year [redacted] the [redacted] in the [redacted] half [redacted] and Mr Stan Clarke, [redacted] chairman, predicts that "profitability, barring unfore[redacted] is [redacted]ted to continue at the present rate during the second half."

Although [redacted] Modwen [redacted] reduced its gearing to 86 per cent against 126 [redacted] cent in November [redacted] the fact that it has stopped capitalising interest charges was the main cause behind [redacted] jump in [redacted] debt charges to [redacted] during the [redacted] half from £1.3m last time.

However, [redacted] year [redacted] the group's rent roll has increased by 54 per cent to £6.5m and [redacted] now sufficient to [redacted] borrowings. [redacted] company's [redacted] roll [redacted] expected [redacted] £10m [redacted]

PUBLIC WORKS LOAN BOARD RATES

[redacted]

Years	[redacted] loans*		
	[redacted]	[redacted]	[redacted]
[redacted]			10⅞
[redacted] up to 2	10⅞	10⅞	10¾
[redacted] 2 up to 3	10¾	10¾	[redacted]
Over 3 up to 4	10¾	10¾	10⅞
[redacted] up [redacted]	10¾	10¾	[redacted]
Over 5 up to 6	10¾	10⅞	11
Over 6 up to 7	10⅞	10⅞	11
Over 7 up to 8	10⅞	10⅞	11
Over 8 up to 9	10⅞	11	11⅛
Over 9 up to 10	11	11	11⅛
Over 10 up to 15	11⅛	11⅛	11⅛
Over 15 up to 25	11¼	11⅛	11⅛
Over 25	11⅛	11	11

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

TECHNOLOGY

Bancomat cashes in

Michael Dempsey describes how automatic branches are changing the face of Italian retail banking

Hard-pressed high street banks looking to cut costs should drop in on Iverea in northern Italy. In a clinically-clean tiled room the local population is coming to terms with the latest development in retail banking – the automatic branch.

It is a bank with all the usual customer services – but no tellers. The familiar hole-in-the-wall cash machine is joined by video disc displays selling insurance and screens offering share quotes. The entire branch is built by Olivetti, the Italian computer group: the service machines rejoice in the brand name Bancomat.

The Iverea site has operated for the last year and allowed San Paolo Bank to gauge public demand for fully automatic banking. Financial counselling and advice delivered through interactive video disks have proven so popular that San Paolo has seen a 35 per cent increase in custom for financial services at the site.

The bank [illegible] earmarked L120bn (£55m) for Bancomats over the next three years.

The prime benefit seems to be in increased custom. What the bank gets is a fully-functioning branch for around $1 million without normal staff costs. Meanwhile Italian banking unions are satisfied that the technology will improve the tellers' lot, reducing repetitive tasks such as doling out cash.

The automatic branch is heading for other parts [illegible] Europe. [illegible] Netherlands's Rabo Bank has signed a contract for three pilot sites, and Olivetti is in discussions with a UK building society. Building societies have proved more adept at introducing customer-friendly technology than many UK banks.

Banco Portugues do Atlantico (BPA), the premier commercial bank in Portugal, [illegible] has introduced [illegible] automatic [illegible] in *Lisbon* and Oporto. BPA [illegible] it [illegible] the [illegible] of building [illegible] automatic branch [illegible]

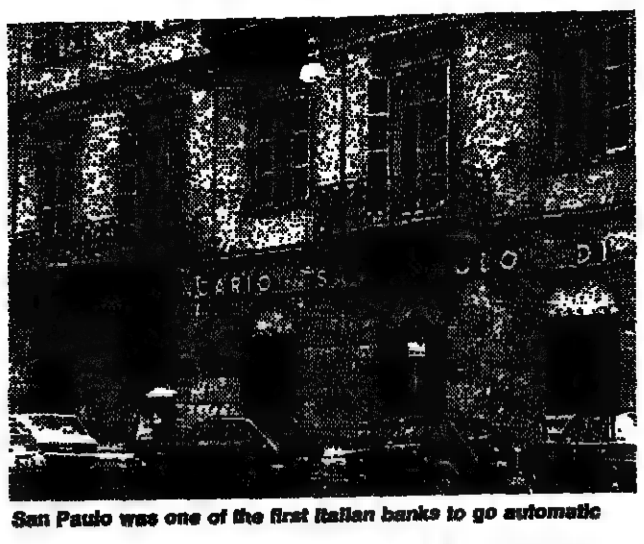
Back in Italy, Banca [illegible] ciale Italiana (Comi[illegible]) opened [illegible] branch, [illegible] Non-Stop, in Genoa in 1989. [illegible] planning on 352 of these [illegible] over the next two years, nearly doubling its branch network.

The working theme for the bank is "a few people, a lot of machines". Banca Non-Stop accounts for half of the banks' annual L70bn information technology expenditure.

Comit's second Banca Non-Stop is in Milan, across the road from La Scala. Nine service machines are arranged in a circle broken only by the entrance. Customers breeze in to collect cash, change foreign currency and watch the video discs advertising *financial services*. Touch-screens, throwing up promotional videos and *financial advice, are the star* attraction.

By pressing one portion of *the touch screen you learn* about personal loans or house insurance; another monitors *stocks and shares*. Italian law does not yet allow customers to sign on for financial services at an automatic branch. But the Bancomats' [illegible] prompted Italian banks [illegible] Rome for [illegible] change in the [illegible] by [illegible]

[illegible] theory [illegible] automatic branch, as expounded by prime supplier Olivetti, is to operate without any human intervention. In practice this prestige site warrants a day manager.



San Paulo was one of the first Italian banks to go automatic

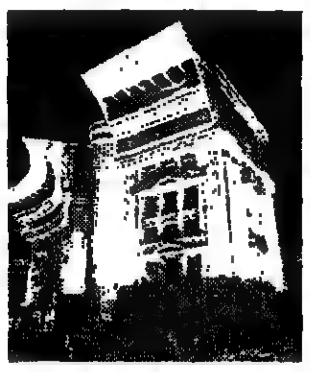
Giuliani Luciano is manager *and sole staff member* of Comit Non-Stop in Piazza Scala. Formerly an assistant branch *manager, he was put there to* answer queries about the Bancomats. Since Italians seem happier with computer displays than [illegible] clerks his main [illegible] directing tourists who wander in.

"[illegible] change everything except metal and gold," Luciano [illegible] transaction, to lira. But the [illegible] it [illegible] post- [illegible] and [illegible] major currencies can [illegible] changed."

[illegible] using [illegible] Non-[illegible] bark [illegible] IBM's heels in European banks. Olivetti assumes sole [illegible] status, *choosing* [illegible] site, allocating construction work and installing machines by arch-rivals NCR and IBM. This is a shrewd move in an era in which banks are becoming painfully conscious of the cost of computing. Dealing with [illegible] single supplier is a reliable [illegible] to [illegible] information technology under [illegible] roof.

[illegible] market for computer systems in western European banks should exceed $3.25bn this year. This figure conceals [illegible] per cent annual growth [illegible] outlay [illegible] smaller, personal computer systems. Improved [illegible] owe their existence to powerful PC technology, and Banca Non-Stop is riding on the coat-tails of this trend in bank spending.

Montpellier takes pole position



Technopole: [illegible] than a science [illegible]

T[illegible] British government [illegible] that companies investing in the UK should set [illegible] quality [illegible] and development [illegible], not just screwdriver [illegible] ing plants. Regional development areas elsewhere in Europe, however, believe they already [illegible] the research [illegible] – what [illegible] need is [illegible] work.

With an unemployment rate of 14 per cent, Montpellier, on France's Mediterranean [illegible], and capital of the Languedoc-Roussillon area, is trying to attract high-technology factories. "We would be pleased to have assembly here. We need a lot of unskilled work," says Pierre Mathieu, international business manager for the Montpellier Technopole. "We already have a high concentration of brains in the area."

Hit by the decline in agriculture, in particular red wine production, Montpellier has been left with few indigenous means of production. "We're moving from the 18th century to the 21st century," explains Mathieu. "There was no industrial revolution here."

But with the historical city enviably placed on France's sunbelt, Montpellier is proving to be particularly popular with the French. In a recent survey 66 per cent of French people said Montpellier would be their favourite place to live.

Residents from as far afield as Paris and Lyon are flocking to the city. The result is that some 80 per cent of Montpellier inhabitants are from outside the town, making it now the seventh largest city in France – bigger than Bordeaux. Many of the residents are ex-university students who come to the Mediterranean city and are loath to leave. (Montpellier boasts three universities, an institute of technology and numerous [illegible] which produce some 50,000 [illegible] each year.)

Mathieu believes this popularity should encourage companies to settle in or relocate to the [illegible], because [illegible] them to give their [illegible] good quality of life. He has had [illegible] as well [illegible] winning the epithet for having the fastest-growing population in France, Montpellier [illegible] also [illegible] city [illegible] number of jobs created. More than 4,000 [illegible] already accommodated in Montpellier's business and technology [illegible].

While [illegible] jobs have been [illegible] by French companies, Mathieu is now focusing on bringing overseas companies into the area. He is selling Montpellier as the Technopole – a technology city, where housing is integrated with offices and production facilities. The Technopole, he insists, is not just a science park in the middle of nowhere.

The concept is based on five "poles", [illegible] specialising in one industrial [illegible]. The Euromedecine pole brings together companies working in healthcare, the Agropolis pole those concerned with agriculture, Antenna with telecoms and the media, Heliopolis with tourism and culture and Informatique with computers.

Mathieu admits that times are hard, particularly trying to attract companies from Japan and the US. "The competition for Japanese companies is particularly tough. For them you really need a strong national representation, such as Ireland [illegible] has," says Mathieu. One Japanese success has been Toshiba, which is setting up a light bulb manufacturing facility as part of a joint venture [illegible] GEC-Alsthom.

Della Bradshaw

Urban transport

Hurdles in the road to a smog-free destination

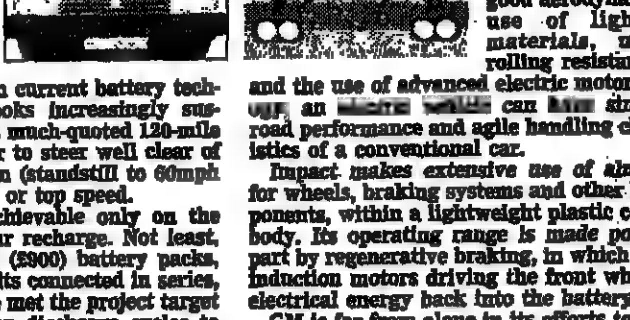
John Griffiths concludes a series by examining the progress of the electric car

General Motors has a public commitment to build the world's first mass-produced electric car. It has set up a subsidiary *to build it*, and allocated a plant to build it in. It also has a problem.

More accurately, as the weeks pass it appears *to have* a growing number of setbacks with its "Impact" project which, as touted by former GM chairman Roger Smith when unveiling it 20 *months ago*, would allow GM to comply with Californian "clean air" rules for the late 1990s and found a new branch of the auto industry.

GM this week denied reports that the Impact project is on temporary "hold", insisting that it is "progressing". But some of the early momentum appears to have been lost. A few months ago, GM formally set itself the target of having the car on sale by 1994. Now, against the background of a cold financial climate talk is of the production version of the Impact going on sale "in the mid-1990s".

To some extent, Smith painted GM into a corner with Impact. The original idea was to demonstrate that an electric vehicle did not have to be slow and barely "traffic compatible". Having [illegible] that – the [illegible] Impact whizzing like [illegible] sports [illegible] at 100mph around [illegible] tracks caused something of a sensation – [illegible] intention [illegible] batteries capable of greater range and longer life than lead acid types before putting [illegible] car based on Impact into production.



Such was media enthusiasm for [illegible] vehicle, however, that GM opted for [illegible] production programme based on current battery technology. Its adequacy looks increasingly suspect. To achieve Impact's much-quoted 120-mile range requires the driver to steer well clear of using its fast acceleration (standstill to 60mph in around [illegible] seconds) or top speed.

That range is also achievable only on the basis of a full, eight-hour recharge. Not least, the heavy (870lb) $1,500 (£900) battery packs, comprising 32 10-volt units connected in series, do not yet appear to have met the project target of providing enough deep discharge cycles to cover 25,000 miles before replacemen[illegible] finally wanted a battery pack life of 40,000 miles before committing to production.

But there is time yet for the sceptics to be confounded. Several factors make it unlikely that the Impact will suffer the same fate as previous electric vehicle projects.

For a start, there is the legislative incentive provided by California. In 1998, 2 per cent of all cars, vans and light trucks sold must be "zero emission vehicles", in other words electrics. That figure will rise to 10 per cent in 2003.

So far, GM has given no indication of a likely price for a car based on Impact. In Europe, as the absolute price of petrol and diesel rises so the expected higher purchase cost of electric cars could be increasingly offset by cheaper operating costs.

The US industry is also making its first concerted, large-scale effort to develop new generations of batteries intended to put the viability of electric vehicles beyond doubt. In January GM, Ford and Chrysler, with federal government collaboration, created the US Advanced Battery Consortium committed to spending $1.2bn over the next 10 years to develop "super-batteries", with sodium-sulphur and nickel-iron units among the front runners.

Even batteries like these, with up to four times the energy density of lead acid batteries, will not turn an electric vehicle into a true rival of the petrol car. But they should be able to provide enough range to allay most potential buyers' fears *of flattened batteries* on an urban Los Angeles freeway.

Not least, Impact is a purpose-built electric vehicle, whereas most *would-be rivals* are adaptations of conventional cars, like Peugeot's *205 electric hatch*back prototype. The car demonstrates that by appropriate design, good aerodynamics, the use of lightweight materials, ultra-low rolling resistance tyres and the use of advanced electric motor technology, an [illegible] can [illegible] similar on-road performance and agile handling characteristics of a conventional car.

Impact *makes extensive use of aluminium*, for wheels, braking systems and other key components, within a lightweight plastic composite body. Its operating range *is made possible in* part by regenerative braking, in which the twin induction motors driving the front wheels feed electrical energy back into the battery pack.

GM is far from alone in its efforts to produce a viable electric vehicle. Chrysler, Ford, indeed every sizeable manufacturer including the Japanese has projects under way, not wishing to be excluded from the lucrative Californian market. Impact is merely the best known.

Previous articles in the series appeared on July 11, 18 and 25.

BUSINESS LAW

Arbitration law under scrutiny

By A H Hermann

[illegible] arbitration law is once again under scrutiny and a draft bill may be soon produced as a result of privately financed efforts. The success of the bill, however, and indeed the *application of any legislation* depends on a change of [illegible] in [illegible] judiciary.

It [illegible] many [illegible] English [illegible] law that arbitral awards [illegible] be appealed to court on [illegible] law. Criticising the [illegible] restriction [illegible] appeals [illegible] Arbitration [illegible] Mustill [illegible] be then [illegible] "The possibility of appealing arbitral awards [illegible] is indispensable [illegible] the development [illegible] English [illegible] mercial law."

At the time this [illegible] an article of faith in the Commercial Court, a division of the High Court in London. Discussing it, Lord Devlin, one of the great English judges, quipped: "The next step would, I suppose, be a prohibition placed on the settlement of cases involving interesting points of law."

At a time [illegible] galloping inflation in the [illegible] in [illegible] were grateful [illegible] this [illegible] Commercial Court: even a hopeless appeal [illegible] postpone the [illegible] an award for years, and reduce it [illegible] a fraction of its original value in line with inflation. For the same [illegible] however, the aggrieved parties seeking damages voted with their feet, and, whenever possible, *took their dispute to* other jurisdictions [illegible] arbi[illegible] not looked upon as a fodder for [illegible] creativity [illegible]

Alarmed, London's great arbitration industry proposed that parties should be able to opt out of judicial review. Such heresy was, of course, opposed by the judges of the Commercial Court. The result was an ugly compromise, [illegible] 1979 Arbitration Act, which no one likes [illegible] which some judges find incomprehensible.

The superior courts in[illegible] preted the [illegible] so [illegible] reduce the [illegible] appeals. [illegible] Commercial Court judges mutinied. [illegible] of [illegible] said in [illegible] judgment that Lord Diplock [illegible] understand [illegible] problems of arbitration and he did not feel bound by his views. They did not want to stop the flow of appeals. In the end, the *superior courts prevailed to a* certain extent. But the guidelines laid down by the House of Lords in *Nema* still give the *Commercial Court judge* [illegible] wide discretion [illegible] applica[illegible] for leave [illegible] appeal *against errors of law said to be* apparent from the face of the award.

*Years passed, and Sir Mich*ael Mustill went from strength [illegible] strength. [illegible] series of *long judgments which* [illegible] like textbooks, and Mustill [illegible] Boyd's [illegible] Arbitration, [illegible] impressive textbook which reads like [illegible] judgment, he [illegible] to [illegible] Appeal [illegible] chairman [illegible] the Department [illegible] Industry Advisory Com[illegible] Arbitration. [illegible] dashed, [illegible] time, all hopes for [illegible] radical, business-friendly revision of the law.

Now[illegible] is no longe[illegible] a question [illegible] abandoning London arbitration, but [illegible] abandoning both litigation [illegible] arbitration in [illegible] methods [illegible] dispute [illegible] (ADR). Organisations of lawyers [illegible] industry offering [illegible] are mushrooming. [illegible] generates disputes, but [illegible] a stricter scrutiny of costs – and arbitration dominated by barristers is often nothing but a very costly wigless litigation.

This new threat to the arbitration industry strengthened the position of reformers. The DTI advisory committee is now chaired by Mr Justice Steyn, a progressive judge, and is working on [illegible] new arbitration act – [illegible] project privately financed and in the hands of [illegible] bill sub-[illegible] chaired by Mr Martin Hunter of Freshfields, the City law firm.

*In his recent Freshfields Lec*ture [illegible] the centre for commercial law studies, Queen Mary [illegible] *Westfield College in* [illegible]don, Professor Roy [illegible] revealed the thinking which *inspires at least some* [illegible] of [illegible] DTI advisory committee on arbitration, of which he is a member. His views seem to [illegible] in line with the views expressed by Mr Justice Steyn, [illegible] chairman, in [illegible] *fourth* Ronald Bernstein Lecture last year.

At the [illegible] the *many painful* problems [illegible] English arbitration law is the reluctance to recognise that *foreign* parties [illegible] to London [illegible] settle their disputes should [illegible] enti[illegible] which [illegible] international context [illegible] their deal.

Paying a handsome tribute to the late Professor Clive Schmitthoff, who pioneered a new international *lex mercatoria*, [illegible] "The old [illegible] merchant, a [illegible] and unqualified body [illegible] in character, was founded on good faith, and was largely free *from* [illegible] national law … its administration was informal, flexible and *fast*". *Professor Goode clearly* favours the adoption of the new transnational law, emerg*ing in the form in international* conventions and uniform trade practices. One can hope, that a code or uniform trade terms could, perhaps, one day provide contracting parties with an alternative to the uncertainties of English commercial law.

Professor Goode lists four points in which the present English law falls short of the international ideal:

- an arbitrator *cannot adjudicate* on the validity of the agreement containing the arbitration provision under which he was appointed;
- an arbitrator is obliged to observe the rules of evidence applicable to ordinary litigation except so far as the parties otherwise agree;
- an agreement purporting to confer on an arbitrator power to decide a case ex *aequo et bono* has no legal effect;
- a party can, with leave of the High Court, appeal from an award on grounds which include an error of law on the face of the award, except where the parties have exercised their right to exclude judicial review which, however, they do not have in the case of marine insurance and commodity arbitration.

Parties can now avoid some of these disadvantages by agreeing that the arbitration *should* be [illegible] by [illegible] rules of the International [illegible] of Commerce or of [illegible] *London* International [illegible] Arbitration. If they agree on an arbitration system *which* [illegible] arbitrator to [illegible] the dispute according to what appears to him to be fair *and just, the English* courts will now respect it.

This is a great advance *against the previously* dominant view that such an agreement negates an intention to create legal relations, a view which Professor Goode considers to be quite illogical.

Professor Goode also takes the view that jurisdictional issues should be decided before arbitration starts and not only after much time and money has been spent. It should be assumed that, in general, par[illegible] *confer* [illegible] arbitrator the power to determine [illegible] validity [illegible] the *contract between them, which* means that the arbitration clause has a separate existence *independent of the validity of* the contract itself. While Mustill and Boyd insist that arb*itrators are bound by the* English rules of evidence, Professor Goode thinks that par*ties opt for arbitration expecting* informality and a commercial approach to their *dispute*. The English law of evidence has the tendency to regidity which is alleviated *only by the robust good sense* of English trial judges.

Finality, confidentiality and *speed are often said to be the* main advantages of arbitration over litigation. Unfortunately, *it is difficult to speak of finality* if one accepts the still respected views of Mustill and Boyd *who discuss on 19 pages* of their book the various considerations a judge should or should not have in mind when dealing with an application for leave to appeal. They conclude *that* the House of Lords guidelines are not exhaustive.

Professor Goode comments: "If I were asked by *foreign* parties whether they could rely on an English arbitration award being final if all the rules of natural justice, procedure and jurisdiction had been followed, my answer would have to be 'God only knows'". He favours reform which would restrict judicial review to fundamental and clearly defined grounds, as in the Uncitral model law.

Alternatively, as Professor Schmitthoff once proposed in this column, one could leave it to the parties to "opt in" instead of opting out of judicial review, in their arbitration agreement.

When the award is not final and goes to court for a review, this is also the end of confidentiality and also, of course, of speed. Indeed the dispute then probably takes twice as long as if the parties had chosen litigation right away.

One must hope that the bill now being drafted will reflect this view. And that it might even allow arbitration proceedings to open with an attempt at conciliation. And that it will not be killed by the cabal of the commercial bar and senior judges.

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COMMODITIES AND AGRICULTURE

Brazil seems set to shun revival of coffee pact

By Victoria Griffith in Sao Paulo

BRAZILIAN COFFEE [redacted] believe their government has given a clear signal that [redacted] is not interested in renegotiating the International [redacted] Agreement in the near future.

That is the interpretation they put [redacted] yesterday's [redacted] that they can once again register coffee exports for up to 12 months [redacted] and at [redacted] fixed [redacted] to-be-fixed prices. This completely reinstates the rules on coffee exports in [redacted] until [redacted] year, when [redacted] economics ministry stunned the [redacted] by announcing [redacted] it was suspending [redacted] registrations.

The government subsequently re-opened registrations, but only until January and [redacted] tighter [redacted] pricing.

Mr Celsius Lodder, [redacted] of [redacted] Department of Supply and Prices, who [redacted] the announcement, [redacted] the government [redacted] made [redacted] decision regarding renegotiating the International Coffee Agreement.

In March, the government had justified [redacted] closure of [redacted] istrations by saying it was studying [redacted] possibility of backing the revival of the agreement's price-supporting export quota system, suspended [redacted] years ago.

"Everything has gone back to the [redacted] it [redacted] before," [redacted] a Rio [redacted] Janeiro-based trader. "I don't think [redacted] will [redacted] any agreement."

Mr Lodder met key [redacted] tatives from [redacted] Brazilian [redacted] on Tuesday. [redacted] representatives asked the government to release funds to help farmers finance the [redacted] currently [redacted]. However, [redacted] government has [redacted] committed itself [redacted] any financing.

Century deposit may add 10% to world zinc output

[redacted] Gooding

AUSTRALIA'S NEXT major mining area will [redacted] in north-west Queensland [redacted] CRA recently [redacted] its world-class Century [redacted] discovery, according to Mr [redacted] Louthean, [redacted] Register of Australian Mining.

[redacted] Century deposit, which might [redacted] 10 per [redacted] world output [redacted] zinc concentrate from [redacted] mid-1990s, was selected [redacted] by the regis[redacted] Australia's "major [redacted] resource".

At the [redacted] launch [redacted] ister yesterday Mr Louthean said other companies had made discoveries in [redacted] which now seemed certain [redacted] become as important [redacted] Australia as the Broken Hill and Mount [redacted] regions.

Ore reserves [redacted] present estimated to be 140m tonnes [redacted] of [redacted] per [redacted] zinc, [redacted] silver a tonne, [redacted] makes [redacted] sixth-largest [redacted] zinc-lead deposit in [redacted] world. [redacted] could prove [redacted] much larger.

Although Century is in a very [redacted] location and [redacted] no infrastructure, analysts suggest it [redacted] low-cost operation because [redacted] size [redacted] ore body [redacted] proximity [redacted] surface.

Century will [redacted] least [redacted] to develop. CRA could have [redacted] 5m [redacted] mining operation producing 400,000 tonnes of zinc [redacted] by the end of 1995.

"Register of Australian Mining 1991-92," [redacted]7 from City of London PR, Mercury House, 14 Finsbury Square, [redacted] EC2 1BR.

Big fall in copper output cost forecast

By Kenneth Gooding, Mining Correspondent

COPPER PRODUCTION [redacted] will continue [redacted] fall in real terms [redacted] by [redacted] of [redacted] industry's output will [redacted] lb [redacted] money, [redacted] Research Unit consultancy group sugge[redacted] special report today.

The bulk [redacted] the industry's output – 6.5m [redacted] – will cost 60 cents or less to produce compared with [redacted] tonnes at or below 80 cents a lb in [redacted] CRU.

[redacted] main [redacted] of [redacted] capacity [redacted] production before [redacted] In addition, [redacted] another 854,000 tonnes [redacted] medium and low [redacted] incremental production from [redacted] capacity.

[redacted] will [redacted] beyond 1995, CRU believes. [redacted] of production from new mine projects [redacted] together with the closure of 26 mines eliminating [redacted] of high-cost output.

This [redacted] of [redacted] output [redacted] below [redacted] by 2005.

If copper prices [redacted] 80 [redacted] a lb [redacted], 17 of the world's [redacted] will be vulnerable.

Among [redacted] are six, with an output of 200,000 tonnes, [redacted] would [redacted] able to reduce their direct operating [redacted] below 80 cents [redacted] lb, while another seven, representing 250,000 tonnes, [redacted] below [redacted]. Only eight of the [redacted] would [redacted] prevented [redacted] closing by political [redacted].

[redacted] only low-cost [redacted] output [redacted] protect against price falls while only [redacted] countries, such [redacted] and Zaire, devalued [redacted] support domestic mining.

"Copper Mine [redacted] Structure and Equilibrium Prices to 2005," [redacted] from CRU, 31, [redacted] Pleasant, [redacted] 0AD.

The sweet and sour fruits of Milpa Alta

Candace Siegle on the marketing problems of growers of the Mexican nopal cactus

I[redacted] "tall cornfield," but for [redacted] past 20 [redacted] of Milpa [redacted] has [redacted] more renowned for its nopales than [redacted] corn-on-the-cob. Though formally part of [redacted] City's teeming [redacted] District, it has [redacted] more [redacted] common [redacted] provinces than [redacted] the world's largest metropolis. More [redacted] 70 [redacted] of the Milpa Alta's 6,000 or so residents [redacted] living by cultivating [redacted] nopal cactus.

Briefly [redacted] looked as if drowsy [redacted] was on the verge of a boom as [redacted] government officials began to boast [redacted] nopal export projects [redacted] Japan. The schemes [redacted] Nopal shipments [redacted] negligible. The question [redacted] why.

[redacted] nopal plays [redacted] important part in Mexico's image. The round [redacted] cactus fig[redacted], topped by an eagle with a snake [redacted] its mouth, on [redacted] flag. To say [redacted] is "as Mexican as [redacted] nopal" [redacted] to [redacted] that that per[redacted] very [redacted]. Nopales have [redacted] in [redacted] of Westerns, especially films [redacted] which sheriffs [redacted] through dusty dry [redacted] villages.

It seems an unlikely comestible but since pre-Hispanic [redacted] an important food in Mexico, prized [redacted] for its taste and for its remarkable health-giving qualities. [redacted] an [redacted] of fibre, the nopal [redacted] rich in calcium, phosphorous iron, [redacted] C, [redacted]. Tentative results [redacted] nopales [redacted] excellent for lowering [redacted]. Moreover, [redacted] is [redacted] perennial plant.

In a [redacted] hungry for simple high-yield foods, the nopal [redacted] seem to be [redacted] winner [redacted] nopal growers in Milpa Alta throw [redacted] 100 [redacted] a day for lack of a market. According to Dr Facundo Barriento, a specialist in the plant at the Autonomous University of Chapingo, the world is finally beginning to appreciate the nopal – [redacted] unfortunately [redacted] for human consumption

"Animals like it too", [redacted] says adding that most research being into the cactus classes [redacted] good [redacted] feeding [redacted] dry zones such as Texas or Australia. Dr. Barriento recalls [redacted] at [redacted] conference [redacted] nopal [redacted] McAllen, Texas, University of Texas agronomists [redacted] that they were developing [redacted] spineless variety. As it is, flaming the plant [redacted] the [redacted] spines. "It [redacted] really a [redacted] of Mexico, [redacted] one under[redacted] delicious [redacted] healthy nopales are," he [redacted] ments.

People crowding [redacted] annual Nopal [redacted] in Milpa [redacted] would certainly [redacted]. In early July, nopal growers [redacted] yellow tents, spread long [redacted] bright plastic cloths, trim [redacted] restaurants [redacted] cut-paper [redacted] prepare for [redacted] thousands [redacted] brave twisting [redacted] the rainy [redacted] to [redacted] nopals in every conceivable form.

While dancers resplendent in traditional [redacted] entertain, diners order plate after plate [redacted] nopal salad, nopales with mushrooms and corn, nopales [redacted] with local cheese [redacted] grilled nopales [redacted] steak – each [redacted] sinfully delicious [redacted] it is angelically healthy. For dessert [redacted] nopal [redacted] nopal jelly.

An [redacted] source of fibre, [redacted] rich in calcium, phosphorous, iron and vitamins

Mr Javier Montes [redacted] Oca, spokesman for [redacted] Milpa Alta Nopal Growers' Union, shakes his [redacted] trims [redacted] spines off a leaf before sprinkling [redacted] with chile powder [redacted] lime juice [redacted] slapping [redacted] on [redacted] grill. [redacted] reflects sadly: "We thought those Japanese projects [redacted] going [redacted] help [redacted] get started [redacted] marketing. [redacted] they turned [redacted] hoax."

About [redacted] full of [redacted] the prospect [redacted] massive exports [redacted] Japan [redacted] nationalists began [redacted] worry whether there would be any left [redacted] the [redacted] Nopal Festival. [redacted] stories proved to be totally without substance.

"Not [redacted] leaf [redacted] going to Japan," [redacted] Carlos Lal[redacted] of the Japanese External Trade Organisation which supervises [redacted] all [redacted] exchanges. "We did try. [redacted] brought [redacted] here from a top Japanese women's magazine [redacted] photograph ladies from [redacted] Japanese-Mexican community cooking with nopales. [redacted] just didn't [redacted]. All [redacted] you hear about nopal tofu (bean curd) [redacted] untrue." Asked why anyone would have raised hopes of booming exports [redacted] largest market in the Far [redacted] Mr.Lalanne replies with a shrug: "Politics."

Mr [redacted] Oca [redacted] up [redacted] problem of unwanted [redacted] pluses: "Money [redacted] biggest problem [redacted] face in marketing. There [redacted] government [redacted] available, but they [redacted] political strings attached. [redacted] don't [redacted] that. We're [redacted] political. [redacted] we're trying [redacted] raise [redacted] own [redacted] started."

[redacted] jars and [redacted] of nopal shampoo and [redacted]. The money [redacted] from this project goes into [redacted] marketing fund.

[redacted] producers [redacted] Mr Mon[redacted] Oca, marketing the nopal has [redacted] matter [redacted] survival. Like [redacted] of the people of Milpa Alta, he still speaks Nauhuatl, the language [redacted] Aztecs, and [redacted] he [redacted] an emotional attachment [redacted] plant that makes him refuse [redacted] give up farming [redacted].

Unlike [redacted] of his neighbours though, he is able to supplement his [redacted] by teaching maths in secondary school. He [redacted] lucky, [redacted] in the nopal [redacted] production [redacted] often [redacted] above the selling price.

"A [redacted] of things are missing in marketing [redacted] nopal," [redacted] Dr [redacted] "We need refrig[redacted] trucks and direct lines to market [redacted] want [redacted] leaves [redacted] arrive in good condition. [redacted] expand the market beyond [redacted] Mexican-Americans in the US. You'd think [redacted] there, it would [redacted] easy."

A company in the [redacted] of Hidalgo has begun exporting nopal [redacted] and [redacted] health-conscious Scandinavia and work [redacted] begun [redacted] developing a nopal drink for diabetics. "Perhaps exporting extracts [redacted] more practical," [redacted] muses.

Spoilage [redacted] the major [redacted]. Mr [redacted] Sanchez Limon of Milpa Alta district council confirms [redacted] Japan [redacted] begin, but [redacted] so many nopales perished in shipment. [redacted] believes: "We should [redacted] on expanding [redacted] market right here [redacted] home. [redacted] must change [redacted] image [redacted] nopal as [redacted] for [redacted] poor."

[redacted] for many Mexicans, [redacted] nopal carries [redacted] kind of historical [redacted] emotional clout [redacted] few [redacted] in [redacted] world can claim. [redacted] Concepcion [redacted] Romero, [redacted], looks sadly [redacted] her grove [redacted] heaps of nopal [redacted] piled [redacted] ground, ready [redacted] away.

[redacted] says: "I would [redacted] give this up. The nopal [redacted] such [redacted] beautiful thing. It [redacted] both prickly and [redacted] – [redacted] Mexicans."

Eskay Creek claims disputes settlement

By Robert Gibbens in Montreal

A BIG [redacted] in development of the rich Eskay Creek gold deposit in north-west British Columbia [redacted] removed.

International Corona, which controls the [redacted] body, and several small expl[redacted] companies have agreed to settle disputes arising from overlapping [redacted] and [redacted] drop litigation.

Corona will [redacted] 300,000 [redacted] its own shares [redacted] Tagish R[redacted] and [redacted] Dupras exploration group, [redacted] main contestants. [redacted] of [redacted] claims disputes allows the pro[redacted] government to [redacted] a mining licence for Eskay Creek. Corona is [redacted] operator and [redacted] minority owner [redacted] Placer Dome.

The property is [redacted] contain [redacted] least C$1bn (US [redacted]) worth [redacted] gold and non-ferrous metals.

Production may not start until 1994-95, however.

Development work has [redacted] that [redacted] is complex and may be more difficult to [redacted] than expected. Completion of [redacted] road [redacted] behind [redacted].

[redacted] Minnova, a Noranda subsidiary, and [redacted] partner Rea Gold [redacted] going underground [redacted] mine in [redacted] Columbia.

Underground [redacted] 2.4m ounces [redacted] silver and [redacted] ounces [redacted] gold.

Iceland's 10% fishing quota cut

By Robert Taylor in [redacted]

[redacted] ICELANDIC government decided yesterday to cut the country's fishing quota for the 12-month period begin[redacted] in September as [redacted] way of [redacted] dwindling [redacted] within [redacted] country's 200-mile economic zone.

The move [redacted] make it even more difficult [redacted] over fish in negotiations between the European Community and the European Free Trade Associa[redacted] the creation of a [redacted] European Economic [redacted].

Further talks were postponed [redacted] September after long hours of negotiation failed to produce a breakthrough in Brussels. Both Iceland and Norway are demanding free access for their fish [redacted] fish products in the EC [redacted] some EC countries [redacted] to secure access to [redacted] and Norwegian fishing grounds from which they are excluded at the moment.

Yesterday's decision by the [redacted] government will come as a [redacted] to Iceland's [redacted] fleet [redacted] make it [redacted] unlikely [redacted] a compromise linking access and quotas will be possible in the autumn.

Iceland's annual catch this year will be cut by 10 per cent.

The biggest [redacted] will be for cod from [redacted] quota figure [redacted] to 265,000 tonnes.

It is estimated that it will mean [redacted] loss of [redacted] IKr825m (£8m) in export revenue, [redacted] severe setback for an economy dependent for nearly 80 per cent of its gross national product on fishing.

Yesterday's decision by [redacted] government is expected [redacted] increase [redacted] for further structural change in [redacted] fishing and fish processing industries [redacted] a rationalisation of [redacted] companies through [redacted] and amalgamations as [redacted] as greater efficiencies.

Record cotton production projected for 1992

[redacted] COTTON output is expected to rise to [redacted] record 93.7m [redacted] (480 lb each) in 1992 compared with [redacted] forecast [redacted] bales this year, according to [redacted] Cotton Advisory Committee, reports Reuters from Washington.

World consumption [redacted] likely to rise, meanwhile, but at a slower rate, resulting in [redacted] build-up of stocks, [redacted] committee said. It forecast world consumption [redacted] 90.3m bales in 1992, compared with 87.8m [redacted] this year.

[redacted] said the continu[redacted] excess of production over consumption [redacted] putting additional [redacted] on prices. [redacted] in output were being driven by attractive prices relative [redacted] competing crops in key producing countries, it said.

[redacted] increases in the area planted to [redacted] were not forecast for [redacted] because the [redacted] in production [redacted] season might reduce the incentive [redacted] switch from grain to cotton.

Cool temperatures, rain and flooding [redacted] known to have affected [redacted] cotton producing [redacted] in China this year.

Average yields would [redacted] in production of nearly 23m bales, the committee [redacted].

WORLD COMMODITIES PRICES

MARKET REPORT

PRECIOUS METALS prices regained [redacted] Tuesday's [redacted] yesterday, [redacted] by platinum, [redacted] rose $5.15 [redacted] a troy ounce [redacted] short-covering at the [redacted] fixing. But the gold price [redacted] only 35 [redacted] an ounce at the close. "There is a mixture of bulls and bears," commented one trader. "I expect we'll [redacted] in [redacted] for a [redacted] so until [redacted] further direction." [redacted] London Futures and Options Exchange reports that [redacted] African crops were [redacted] looking as good as [redacted] year's encouraged [redacted] reversal [redacted] an early downtrend and [redacted] Septe[redacted] delivery price ended £7 up [redacted] a tonne. Traders [redacted] that [redacted] small [redacted] being [redacted] present by producers appeared [redacted] being well absorbed. [redacted] futures [redacted] quite firm in morning, [redacted] there [redacted] a bout [redacted] buying by a UK [redacted] house. But [redacted] dried up [redacted] afternoon [redacted] September position [redacted] a tonne, [redacted] £1 [redacted] the day. [redacted] the London [redacted] Exchange [redacted] prices edged higher [redacted] traders [redacted] news [redacted] last [redacted] between unions and management [redacted] Chile's El Teniente mine, [redacted] biggest producer. Failing [redacted] eleventh hour settlement the miners will go [redacted] strike from midnight tonight.

Compiled from Reuters

London Markets

[redacted] MARKETS		
[redacted] oil (per [redacted])		+ or -
Dubai	[redacted]	+0.15
[redacted] (dated)	[redacted]	+.175
[redacted] Blend [redacted]	$19.65-9.70	+0.16
W.T.I. (1 [redacted])	[redacted]	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	[redacted]	+2
Gas Oil	$190-191	+1
Heavy Fuel Oil	$68-70	
Naphtha	[redacted]	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$363.0	[redacted]
Silver (per troy [redacted])	406.5c	+2
Platinum (per troy oz)	$363.25	+0.25
Palladium (per troy oz)	$86.15	-0.10
Copper (US Producer)	104.5c	
Lead (US Producer)	50c	
Tin [redacted]	[redacted]	
Tin (New [redacted])	264.0c	+1.0
Zinc (US [redacted])	62c	
Cattle (live weight)†	[redacted]	-0.01*
Sheep (dead weight)†	122.62p	+[redacted]
Pigs (live weight)†	64.29p	-1.27*
London daily sugar (raw)	$318.0y	+21.4
London daily sugar (white)	$322.5y	+2.5
Tate and Lyle export price	£301.5	+14.0
Barley (English feed)	£118.0t	
Maize (US No. 3 yellow)	£180.5	
Wheat (US Dark Northern)	Unq.	
Rubber (Sep)♥	53.75p	
[redacted] (Oct)♥	54.25p	
Rubber (KL RSS [redacted] Aug)	227.0m	
[redacted] (Philippines)§	$465q	-20
Palm Oil (Malaysian)§	$365z	[redacted]
[redacted] (Philippines)§	$159	
Soyabeans (US)	£158	
Cotton "A" index	79.20c	
Wooltops (64s Super)	362p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct [redacted] u-Sep x-Jul/Aug y-Aug/Sep z-Aug j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	[redacted]	High/Low	
[redacted]	250.00	[redacted]	[redacted]	[redacted]
Oct	[redacted]	[redacted]	[redacted]	[redacted]
Dec	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	194.20	[redacted]	[redacted]	193.00
[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	200.00	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	High/Low	
Oct	[redacted]	[redacted]	280.0	[redacted]
[redacted]	[redacted]	[redacted]	277.0	[redacted]
[redacted]	[redacted]	[redacted]	276.2	[redacted]
[redacted]	[redacted]	275.4	277.0	[redacted]
Aug	277.0	[redacted]	[redacted]	[redacted]
Oct	[redacted]	259.9	[redacted]	[redacted]

Turnover: Raw 781 (503) lots of 50 tonnes. [redacted] 1152 ([redacted]) [redacted] White (FFr [redacted]) [redacted] 1677

CRUDE OIL – IPE $/barrel

	[redacted]	[redacted]	High/Low	
Sep	[redacted]	[redacted]	[redacted]	[redacted]
Oct	19.79	[redacted]	[redacted]	[redacted]
Nov	19.78	[redacted]	[redacted]	19.72
[redacted]	19.64	[redacted]	19.64	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	

[redacted] (25539)

GAS OIL – IPE $/tonne

	[redacted]	Previous	High/Low	
Aug	186.75	[redacted]	[redacted]	[redacted]
[redacted]	187.75	[redacted]	[redacted]	[redacted]
Oct	[redacted]	[redacted]	[redacted]	[redacted]
Nov	[redacted]	[redacted]	191.00	[redacted]
[redacted]	191.75	[redacted]	192.00	[redacted]
Jan	188.25	187.25	188.25	[redacted]
Feb	183.00	181.50	183.00	
Apr	[redacted]	[redacted]	[redacted]	

[redacted] 9608 [redacted] of 100 [redacted]

WOOL

PRICES SLIPPED at the first Australian sales of the new wool selling season this [redacted]. This [redacted] in [redacted] the likelihood of covering demand on a scale sufficient to keep prices firm compared with closing rates at the end of June. The market indicator [redacted] 11 cents [redacted] 586c on the first [redacted] with finer merinos showing the most [redacted] seems [redacted] stockpile sales will be negligible, since the assurance was that prices aligned with the [redacted] provide a [redacted] point. Related wool textile trade is quieter and more cautious [redacted] of easing.

COCOA – [redacted] [redacted]

	[redacted]	Previous	[redacted]	
Jul	[redacted]	630	614	
[redacted]	646	642	650	630
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Mar	[redacted]	[redacted]	[redacted]	[redacted]
May	737	730	[redacted]	722
Jul	754	748	[redacted]	[redacted]
[redacted]	773	766	[redacted]	[redacted]

[redacted] 4309 [redacted] lots of 10 [redacted]. ICCO [redacted] prices [redacted] per tonne). [redacted] price [redacted] Jul [redacted] for [redacted] 31 [redacted]

COFFEE – London FOX [redacted]

	[redacted]	[redacted]	High/Low	
Jul	520	517	[redacted]	[redacted]
[redacted]	[redacted]	538	547	[redacted]
Nov	[redacted]	[redacted]	[redacted]	[redacted]
Jan	579	575	[redacted]	
[redacted]	594	592	595	592

[redacted] lots of [redacted] [redacted] prices (U[redacted] pound) [redacted] July [redacted]: Comp. daily [redacted] average 64.03 (64.14)

POTATOES – London FOX £/tonne

	[redacted]	[redacted]	High/Low	
Apr	101.0	98.5	[redacted]	[redacted]
May	115.0		[redacted]	[redacted]

[redacted]

[redacted] – London FOX £/tonne

	[redacted]	[redacted]	High/Low
Oct	130.00		130.00

Turnover [redacted] lots [redacted] 20 [redacted].

[redacted] – London FOX $10/index point

	Close	Previous	[redacted]	
Aug	1476	1501	[redacted]	[redacted]
Oct	1595	1600	1595	[redacted]
Jan	1599	[redacted]	1600	1595
Apr	1610	[redacted]	1610	
BFI	1466	1474	1466	

Turnover [redacted]

[redacted] – London FOX [redacted]

Wheat	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]		111.15	[redacted]
Nov	[redacted]	[redacted]	[redacted]	114.15
Jan	[redacted]	117.80	[redacted]	[redacted]
Mar	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Barley	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	[redacted]	108.55	[redacted]
Nov	[redacted]	113.60	[redacted]	113.20
[redacted]	[redacted]		[redacted]	[redacted]
Mar	[redacted]	[redacted]	[redacted]	
May	[redacted]	120.90	[redacted]	[redacted]

Turnover: Wheat 378 (74), Barley [redacted]. [redacted] lots of 100 tonnes.

PIGS – [redacted] FOX [redacted] p/kg

	[redacted]	[redacted]	[redacted]
Nov	103.0	105.0	103.0

[redacted]

[redacted] – London FOX

	[redacted]	Prev.	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]			
Sep	[redacted]	[redacted]	[redacted]	[redacted]	55
Oct	139.40	[redacted]	[redacted]	[redacted]	40
Dec	140.10	[redacted]	[redacted]	[redacted]	65

LONDON METAL EXCHANGE (Prices [redacted] by Amalgamated [redacted] Trading)

	Close	Previous	High/Low	AM [redacted]	Kerb [redacted]	Open [redacted]
[redacted], 99.7% purity ($ per tonne)					[redacted] turnover [redacted]	
Cash	1271-2	1293-5		1284-5		
[redacted]	[redacted]	1296-7	1304/1295	[redacted]	1302-3	[redacted]
[redacted], Grade [redacted] (£ per tonne)					[redacted] turnover [redacted]	
Cash	1330-2	1322-4	1329.5	1329-9.5		
[redacted]	[redacted]	1341.5-2	[redacted]	[redacted]	1347-8	[redacted] lots
Lead ([redacted] tonne)					[redacted] lots	
[redacted]	323-4	322-3	322.75/322	[redacted]		
3 [redacted]	[redacted]	334-4.25	335.5/334	334-4.5	335-6	[redacted]
Nickel [redacted]					[redacted]	
Cash	[redacted]	8075-85		8090-5		
[redacted]	[redacted]	8100-5	8178/8100	[redacted]	8175-85	[redacted]
[redacted] ($ per tonne)					[redacted] daily [redacted] 1,785 [redacted]	
[redacted]	5850-60	5855-65	5845	5845-8		
[redacted]	[redacted]	5745-50	5770/5710	5735-40	5770-5	[redacted]
Zinc, Special High Grade ($ per tonne)					[redacted]	
Cash	1054-5	1055-7	1055	1055-6		
3 months	1072-3	1072-3	1075/1072.5	1072.5-3	1074-5	28,124 lots

LME Closing £/$ rate: SPOT: 1.6850 | 3 months: 1.6649 | [redacted] months: [redacted] | 9 months: 1.6368

LONDON BULLION MARKET ([redacted])

Gold ([redacted] oz)	$ price	£ equivalent
Close	362.80-363.20	
Opening	363.10-365.00	
[redacted] fix	[redacted]	215.850
Afternoon fix	362.65	215.214
Day's high	364.40-364.80	
Day's [redacted]	[redacted]	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 [redacted]	5.45	[redacted]	[redacted]
2 months	5.42	12 [redacted]	5.31
3 months	5.40		

Silver fix	p/fine oz	US cts equiv
Spot	241.40	405.75
[redacted]	246.10	412.80
[redacted]	[redacted]	419.10
12 months	265.95	[redacted]

GOLD [redacted] ([redacted] by Engelhard [redacted])

	$ price	£ [redacted]
Krugerrand	363.00-364.00	215.25-215.75
Maple leaf	371.00-372.00	220.00-220.50
New Sovereign	87.50-88.50	52.00-52.50

TRADED OPTIONS

Aluminium (99.7%)	[redacted]		Puts	
[redacted] price [redacted]	Sep	Dec	[redacted]	[redacted]
1200	81	131	2	11
[redacted]	21	62	32	42
[redacted]	2	23	112	102
[redacted] (Grade A)	[redacted]		Puts	
[redacted]	119	131	9	52
[redacted]	60	76	[redacted]	99
2350	14	42	104	163
Coffee	[redacted]	[redacted]	Sep	[redacted]
500	36	63	1	4
550	7	[redacted]	20	19
600		10	[redacted]	51
Cocoa	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	34		[redacted]	
625	20	58	21	27
650	11	45	37	38
Brent [redacted]	[redacted]	[redacted]	Sep	Oct
1900	10		11	28
1950			22	52
2000	16	39	18	

New York

GOLD 100 troy oz.; $/troy oz.

	[redacted]	Previous	High/Low	
Aug	[redacted]	362.3	[redacted]	[redacted]
[redacted]	365.3	[redacted]	0	0
[redacted]	[redacted]	366.1	367.9	366.0
Dec	370.8	[redacted]	371.6	[redacted]
Feb	374.3		374.5	[redacted]
Apr	377.7	376.7	377.3	377.0
Jun	381.2	380.2	380.5	380.5
Aug	[redacted]	383.6	385.0	385.0
[redacted]	[redacted]	387.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	[redacted]	Previous	High/Low	
Aug	[redacted]	0	0	0
Oct	[redacted]	362.9	367.5	363.1
Jan	371.5	367.3	372.0	367.1
Apr	375.5	371.3	375.5	374.8
Jul	[redacted]	375.2	0	0
Oct	387.4	383.2	[redacted]	[redacted]
Oct	[redacted]	387.5	[redacted]	[redacted]

SILVER 5,000 [redacted] oz; cents/troy oz.

	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Sep	407.8	[redacted]	[redacted]	[redacted]
Oct	410.1	[redacted]	0	0
Dec	415.0	413.4	415.5	[redacted]
Jan	[redacted]	[redacted]	417.0	415.0
Mar	[redacted]	[redacted]	423.0	420.0
May	427.3	[redacted]	0	[redacted]
Jul	432.5	431.[redacted]	0	0
Sep	437.9	436.[redacted]	439.0	438.0
[redacted]	[redacted]	[redacted]	[redacted]	445.0

HIGH GRADE COPPER 25,000 lbs; [redacted]

	[redacted]	[redacted]	High/Low	
Aug	101.00	100.10	101.00	[redacted]
Sep	101.30	100.40	[redacted]	[redacted]
Oct	100.60	100.05	100.70	100.70
Nov	100.50	99.75	0	0
[redacted]	[redacted]	99.50	100.25	99.80
[redacted]	[redacted]	99.05	99.75	98.75
[redacted]	[redacted]	[redacted]	[redacted]	99.25
Mar	[redacted]	98.15	98.80	[redacted]
Apr	[redacted]	97.65	98.40	[redacted]
May	[redacted]	[redacted]	[redacted]	[redacted]

CRUDE OIL (Light) 42,000 US [redacted] $/barrel

	[redacted]	[redacted]	High/Low	
[redacted]	21.68	21.42	21.74	21.57
[redacted]	21.67	21.40	21.68	21.55
[redacted]	21.57	21.34	21.57	21.46
[redacted]	21.45	21.28	21.45	[redacted]
[redacted]	21.29	21.17	[redacted]	21.25
[redacted]	21.20	21.06	21.20	21.12
[redacted]	21.04	[redacted]	[redacted]	21.01

[redacted] 42,000 [redacted]

	Latest	Previous	[redacted]	
[redacted]	[redacted]	5981	6070	6005
Oct	[redacted]	[redacted]	[redacted]	6110
Nov	[redacted]	[redacted]	6250	6215
[redacted]	[redacted]	6283	6355	6310
[redacted]	6340	6305	6360	6330
Mar	[redacted]	[redacted]	[redacted]	[redacted]
May	[redacted]	[redacted]	[redacted]	[redacted]

[redacted] 10 tonnes;$/tonnes

	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	1017	1056	[redacted]
[redacted]	1091	[redacted]	1105	1060
Mar	1133	1118	1145	1106
May	1162	1145	1170	1133
Jul	1193	1173	1185	1161
Sep	[redacted]	1193	1221	1186
Dec	[redacted]	1235	0	[redacted]
Mar	[redacted]	1261	0	[redacted]
May	[redacted]	1307	0	0

[redacted] "C" [redacted]

	Close	Previous	High/Low	
Sep	81.40	82.10	82.40	80.75
[redacted]	[redacted]	85.75	85.75	84.30
Mar	87.95	89.00	88.80	87.70
May	90.15	91.25	91.00	90.10
Jul	[redacted]	94.25	93.25	93.20
Sep	[redacted]	95.75	0	0
Dec	[redacted]	97.00	0	0

SUGAR WORLD "11" [redacted] lbs; [redacted]

	[redacted]	Previous	High/Low	
Oct	[redacted]	9.39	9.73	9.38
[redacted]	[redacted]	8.78	8.89	8.73
[redacted]	[redacted]	8.79	8.86	8.73
Jul	8.75	8.80	8.86	8.75
Oct	8.72	8.80	8.85	8.80

[redacted] 50,000; [redacted]

	[redacted]	[redacted]	High/Low	
Oct	[redacted]	70.45	[redacted]	68.10
Dec	[redacted]	71.00	[redacted]	68.49
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	68.75	71.15	70.60
Jul	71.25	68.13	71.95	71.57
Oct	68.75	0	69.00	68.60
[redacted] 68.00	[redacted]			[redacted]

[redacted] lbs; [redacted]

	[redacted]	Previous	High/Low	
[redacted]	[redacted]	[redacted]	118.90	117.75
Nov	117.35	118.20	118.20	117.50
Jan	116.55	117.30	117.50	[redacted]
[redacted]	117.15	118.10	[redacted]	118.00
Jul	118.05	[redacted]	[redacted]	[redacted]

INDICES

REUTERS (Base: September 18 1931 = 100)

July [redacted]	July 30	[redacted]	[redacted]
1724.1	1718.2	[redacted]	[redacted]

DOW JONES [redacted] 31 [redacted] = 100)

	July [redacted]	July [redacted]	mnth [redacted]	yr [redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Chicago

[redacted] bushel

	Close	[redacted]	High/Low	
Aug	583/[redacted]	575/[redacted]	589/0	[redacted]
[redacted]	590/0	580/0	594/4	[redacted]
[redacted]	[redacted]	[redacted]	607/0	591/0
Jan	608/2	600/6	617/0	[redacted]
[redacted]	618/0	[redacted]	[redacted]/4	603/0
[redacted]	[redacted]	[redacted]	631/0	610/0
[redacted]	[redacted]	623/0	634/0	[redacted]

[redacted] OIL 60,000 [redacted]

	[redacted]	[redacted]	High/Low	
Aug	21.34	20.76	21.55	20.40
Sep	21.51	21.00	21.90	20.64
Oct	21.82	21.07	21.95	20.82
[redacted]	22.02	21.50	[redacted]	21.18
Jan	22.18	21.68	22.50	[redacted]
Mar	22.45	21.97	[redacted]	21.68
May	22.60	22.21	[redacted]	21.85
Jul	22.70	22.65	22.70	22.25

SOYABEAN MEAL 100 tons; $/ton

	[redacted]	Previous	High/Low	
Aug	184.0	179.1	185.0	[redacted]
Sep	180.6	176.5	181.0	[redacted]
Oct	179.5	[redacted]	180.5	[redacted]
Dec	180.6	179.7	181.5	[redacted]
Jan	[redacted]	[redacted]	181.8	177.5
[redacted]	[redacted]	181.0	182.0	178.5
[redacted]	182.0	[redacted]	182.0	179.5
Jul	[redacted]	181.5	183.0	180.7

MAIZE 5,000 bu min; [redacted]

	[redacted]	[redacted]	High/Low	
[redacted]	[redacted]	253/4	[redacted]	[redacted]
Dec	[redacted]	[redacted]	264/4	[redacted]
Mar	[redacted]	[redacted]	271/0	[redacted]
[redacted]	271/6	268/0	273/4	[redacted]
Jul	274/0	270/2	274/4	269/0
[redacted]	258/0	257/0	259/0	255/0

WHEAT 5,000 bu min; [redacted]

	[redacted]	[redacted]	High/Low	
[redacted]	294/0	291/6	294/2	288/0
[redacted]	308/2	306/0	309/0	[redacted]
[redacted]	[redacted]	[redacted]	314/4	307/4
[redacted]	311/4	309/0	311/4	[redacted]
Jul	305/2	303/4	305/4	300/0

LIVE CATTLE 40,000 lbs; cents/lbs

	[redacted]	[redacted]	High/Low	
Aug	70.40	70.62	70.82	[redacted]
[redacted]	[redacted]	73.10	[redacted]	[redacted]
Dec	75.00	75.22	75.27	74.67
Feb	74.77	[redacted]	74.92	74.60
[redacted]	75.25	75.55	75.50	[redacted]
[redacted]	[redacted]	[redacted]	73.70	73.30

LIVE HOGS [redacted] lb; [redacted]

	[redacted]	[redacted]	High/Low	
Aug	[redacted]	53.75	53.70	53.20
[redacted]	[redacted]	45.27	45.35	[redacted]
Dec	45.00	[redacted]	45.12	[redacted]
Feb	45.05	45.10	45.15	44.75
Apr	43.20	43.25	43.40	43.10
Jun	47.55	47.55	47.70	47.45
[redacted]	47.70	47.70	47.72	47.65

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	43.25	43.15	44.10	42.90
Feb	51.07	51.15	51.25	50.35
Mar	50.60	50.85	50.75	50.00
May	51.10	51.30	0	50.60
Jul	52.30	52.20	52.30	51.40
Aug	49.00	47.00	48.00	0

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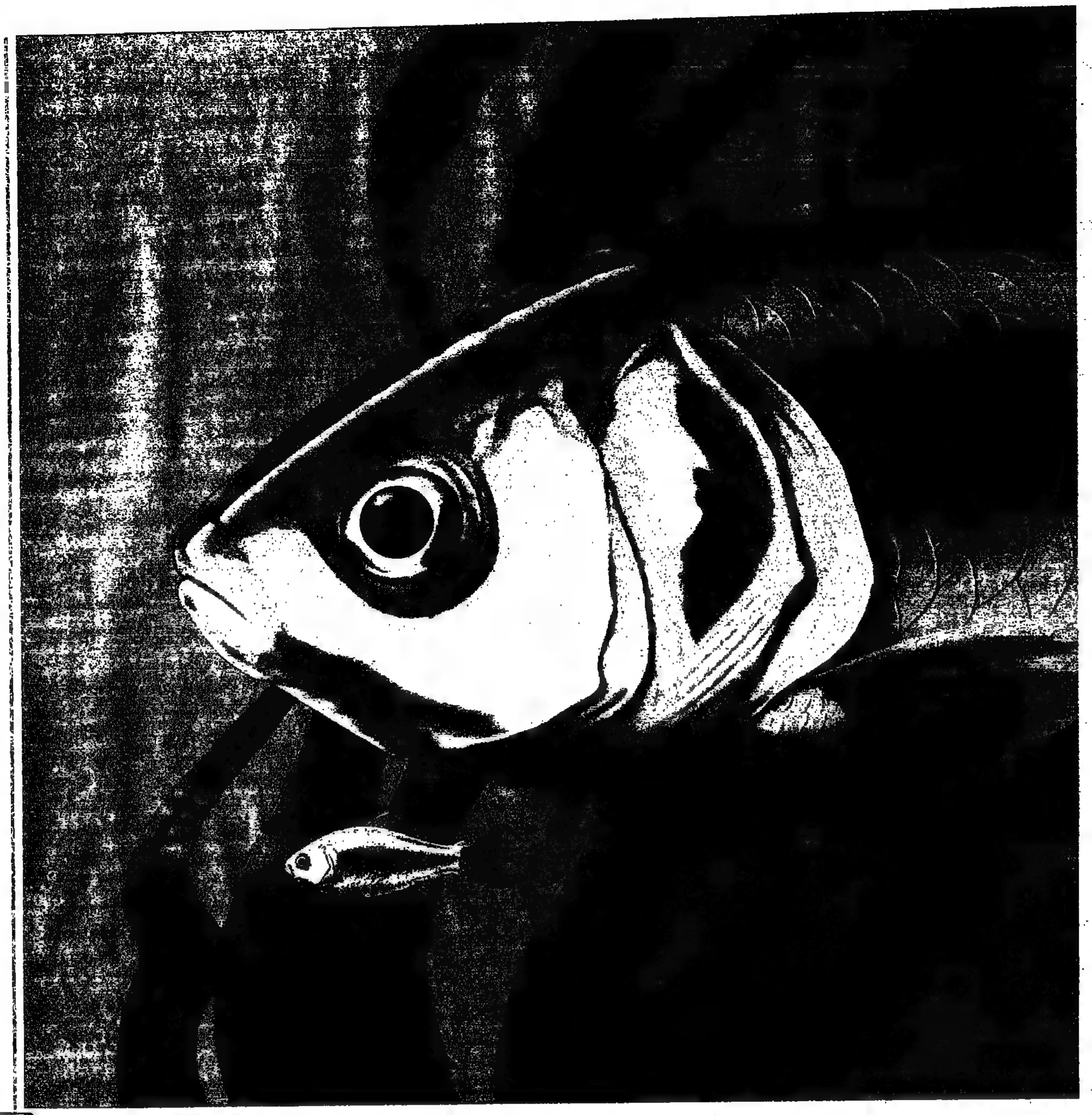


TO US THEY'RE THE SAME SIZE.

What might [redacted] first seem rather alarming evidence of defective vision is in fact a guiding principle at [redacted]. Over the years in which we have grown to be one of the world's leading providers of investment capital [redacted] have always tried to see the potential for growth in every business with which we have dealings.

Whatever the size of your company, our philosophy as successful investors in industry remains the same. We are looking for people with drive and ambition and a will to succeed. But at [redacted] we know that the best way to ensure consistent success is to produce individually tailored solutions to different problems. And as our success is ultimately based on yours, it is in our interest to do our best to help your business grow. This also means we are very happy to give long-term commitment.

And that long-term view is another reason why [redacted] think the fish are the same size. In time your minnow could become [redacted] big fish and at every stage in this development [redacted] can provide the capital you need.

As long-term investors in industry, [redacted] has the experience that can help your business grow. If you don't fancy getting swallowed up why not get in touch with your local [redacted] office.

[redacted] Group plc [redacted] 3i plc are regulated in [redacted] investment business by SIB. 3i Group plc's overseas subsidiaries and [redacted] are not authorised persons subject to the rules and regulations made under [redacted] Financial Services Act 1986 for the protection of [redacted]

هكذا من الأصل

LONDON STOCK EXCHANGE

Equities lower as support fades away

By Terry Byland, UK Stock Market Editor

ANOTHER unsuccessful attempt by the UK stock market to [illegible] above the FT-SE 2,600 mark yesterday appeared to reflect an underlying slackening in investment enthusiasm, according to some dealers. The stock market drew [illegible] heart from the reiteration by Mr Norman Lamont, the UK Chancellor of the Exchequer, of his forecast that [illegible] recovery [illegible] before the end of the year, and remained unsettled by Tuesday's bearish report from the Confederation of British [illegible].

Account Dealing Dates		
*First Dealings:		
Jul 15	Jul 29	Aug 12
[illegible] Declarations:		
Jul 25	Aug 8	Aug 29
Last Dealings:		
Jul 26	[illegible]	Aug 30
Account Day:		
Aug [illegible]	Aug 19	[illegible]

*New-time dealings may take place from 8.30 am two business days earlier.

Wall Street's strength overnight proved insufficient to prop up a London market now wondering if share prices have overrun themselves for the time being. With the water, and some other utility stocks, upset by the warning on dividend policies from Ofwat, the water industry regulator, some sizeable lines of stock came on offer yesterday. Overall, there [illegible] clear signs of mid-summer lethargy [illegible] the August holiday [illegible].

Despite Wall Street's [illegible] night gain of 31 points [illegible] above Dow 3,000, London opened lower. Marketmakers were still short of stock and only [illegible] willing [illegible] down [illegible] the hope of shaking out a few sellers. However, blue chip equities were soon pulled higher by the FT-SE September future contract which continued to trade at a 30-35 point premium despite the [illegible] felt in the underlying [illegible] market.

The continued firmness in the Footsie future contract [illegible] the underlying stocks higher and the Footsie took another run at the 2,600 hurdle, adding eight points at best to register 2,603.6. Trading volume [illegible] slow, however, and attention focused around a clutch of corporate developments.

The early gain in [illegible] was [illegible] almost entirely reversed and [illegible] the remainder of the session, the market [illegible] erratically on the downside. Wall Street's entry to its new session [illegible] equally uncertain, with the Dow down [illegible] – but still comfortably above [illegible] – in London hours.

At the close, the FT-SE Index was down [illegible]. Traders expressed some surprise that London [illegible] at present gaining so little [illegible] from Wall Street's return to the Dow 3,000 plus area. Analysts in London pointed to underlying fears that German interest [illegible] could be forced higher when the Bundesbank meets [illegible] in the middle of August.

[illegible] volume, taking in both retail and intra-market business, totalled [illegible] shares, against Tuesday's 505.4m. Retail business on Tuesday reached £1bn, confirming a return [illegible] profitable levels of trading from the point of view of London-based securities firms.

Among the corporate features, shares in Abbey National traded actively, finally closing easier despite the announcement of increased profits for the first [illegible] year. SmithKline Beecham improved at first on the quarterly result, but later ran into selling [illegible] the Atlantic.

Except for Abbey National, the financial sector remained very firm as the trading figures from the clearing banks were absorbed by the market. [illegible] shares, which have spearheaded the market's response to hopes of an early end to the economic recession, [illegible] held on to [illegible] gains. But the building sector remained depressed by this week's disturbing [illegible] Developments.

Ladbroke out of favour

A SOMEWHAT idle stock market turned its attention to Ladbroke, which underperformed yesterday [illegible] appointment of a new broker less than one month ahead of figures triggered talk that there might be a rights [illegible] was [illegible] undermined by a broker's report, which said that changes in UK accounting standards would take more than [illegible] from the company's pre-tax profits, spread over five years.

The company's new joint broker [illegible] Smith New Court, known for its expertise in placing shares. Although Ladbroke's interims are due on August 29, most traders dismissed the rights issue talk.

Goldman Sachs published an assessment of last Thursday's announcement from the Accounting Standards Board on the treatment of convertible bonds with put options whose issuers have not made provisions for "supplemental interest". Ladbroke has a subordinated 5¼ per cent euroconvertible bond [illegible] a put option. From [illegible] holders may have the right [illegible] the £150m they [illegible] to [illegible] plus supplemental interest amounting to £53.6m.

The company may never have to pay – bond holders can choose to convert to Ladbroke shares – but it faces having to make an appropriate provision in its accounts.

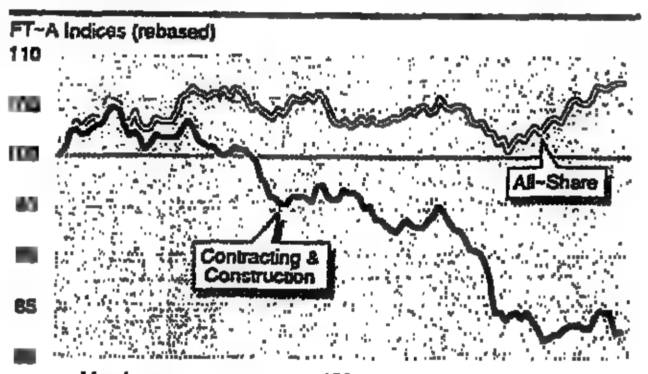
Ladbroke retreated 7 to 270p. Turnover reached 4.5m, with traders [illegible] that a sell order for 400,000 added to the downward pressure on the price.

Abbey busy

Excellent results from Abbey National were [illegible] as the prompt to [illegible] out of a stock [illegible] jumped by nearly [illegible] per cent over the past year. The shares receded 7 to [illegible] and turnover of 4.7m [illegible] by nearly a million [illegible] at 297p.

All [illegible] were enthusiastic about the interim figures of £308m, compared with [illegible] year, [illegible]. They felt the [illegible] provision for [illegible] and the increase in mortgage arrears were compensated for by the strong increase in net [illegible] receivable.

However, the results [illegible] only marginally above [illegible] highest expectations and analysts were advising investors to look for stock with more recovery potential. Mr John Wriglesworth of UBS Phillips & Drew said: "We still see Abbey as a long-term buy but there could be an argument for switching into Lloyds, which has a much higher yield – we have [illegible] heavy buyers." Lloyds gained 7 to 370p [illegible] turnover of 3.1m.



Source: Datastream

Hopes that the UK recession may be bottoming out do not appear to be borne out by one of the most cyclical sectors of the stock market. The building and construction sector, seen as a fundamental indicator of economic performance, [illegible] plunged [illegible] after relative buoyancy in March and April. Observers warn of "double-dip recession" and Mr Angus Phaure of County NatWest says: "I can see no evidence of a turn. In the past few years the economy has been strong because people have been prepared to borrow a lot of money, and that appetite may have been undermined. It is all about confidence."

Utilities fall

Water shares continued [illegible] retreat in response [illegible] on proposals by Ofwat, the industry's regulator, to limit growth in dividend payments. Among the worst performers, Northwest Water lost 8 to 354p and Wessex 13 to [illegible].

[illegible] efforts might encourage other privatised industry watchdogs to tighten regulatory regimes hit a [illegible] range [illegible] British Telecom declined [illegible] to [illegible], Seeboard 11 to 200p, PowerGen 1½ to 157½p and the Electricity Package [illegible].

One exception [illegible] British Gas, a penny firmer at 271½p. The [illegible] shrugged [illegible] reports that the company had spent $2bn on El Paso, a US pipeline business. Heavy volume, with the company's broker Hoare Govett bidding for stock, sparked suggestions that the buying was for en[illegible] share option schemes. Turnover was a brisk 10m [illegible]. The British Gas annual meeting is today.

SmithKline Beecham fell quickly as the market digested its second-quarter figures. Analysts were particularly concerned over the relatively slow growth in pharmaceutical sales.

Sentiment was also hurt by a press report suggesting that SmithKline was looking for a large merger. Analysts close to the company said any such merger would take place in years rather than weeks. The stock ended 20 lower at 795p. Turnover was 4.4m, making it the busiest day's [illegible] the [illegible] March.

The warning on Monday by Barratt Developments [illegible] it [illegible] losses of [illegible] continued [illegible] preoccupy the [illegible] recovered 5 to 43p. Building specialist Mr Angus [illegible] of County Nat[illegible] said: "When the price falls to 30p, as it did on Monday, [illegible] buy. You [illegible] never [illegible] to the conclusion that [illegible] going bankrupt."

He argued that by slimming down [illegible] activity, reducing working capital and cutting out incentives [illegible] would-be buyers the [illegible] could lower [illegible] borrowings considerably [illegible] the [illegible] year. However, [illegible] observers [illegible] that [illegible] recovery was [illegible] far in the future [illegible] into account yet.

Trafalgar House, which [illegible] a large exposure [illegible] housing, was still feeling the shock waves [illegible] Barratt and [illegible] 212p. Tarmac [illegible] 221p [illegible] good two-way [illegible] but Redland [illegible] 6 [illegible] 557p [illegible] RMC slipped 8 to [illegible].

Lilley [illegible] 4½ [illegible] 48½p [illegible] it had entered into talks with [illegible] Spanish companies.

Fears [illegible] National [illegible] minister could [illegible] rights [illegible] from [illegible] switching out of Abbey [illegible] down [illegible] 315p.

There [illegible] the profitability of Midland, but [illegible] by [illegible] of a link [illegible] Allied Dunbar, the life [illegible] and unit [illegible] subsidiary [illegible] BAT Industries. [illegible] Midland's [illegible] 2 up at 214p. BAT dipped 4 [illegible] 738p. Barclays, [illegible] reports today, firmed a [illegible] to 478p.

Insurance broker Sedgwick shed 6 to [illegible] following [illegible] it [illegible] interested in acquiring [illegible] Hudig, a Dutch company.

[illegible] retailers advanced as County [illegible] competition [illegible] the [illegible] of the [illegible] overdone. J. Sainsbury [illegible] 4 [illegible] and [illegible] 5 at [illegible].

Anglo United gained 2 to 38½p [illegible] around [illegible] were [illegible] 38p.

A gloomy general meeting combined with a [illegible] in profit expectations depressed [illegible] Steel, which eased 2¼ to 118½p [illegible] turnover of 9.7m.

Citing falling demand and [illegible] prices, Smith [illegible] Court predicted losses of around [illegible] for the year ending March 1992, against its last [illegible] loss [illegible]. Mr Ian Lowe [illegible] "It [illegible] difficult [illegible] identify any argument [illegible] give [illegible] to outperformance [illegible] the [illegible] future."

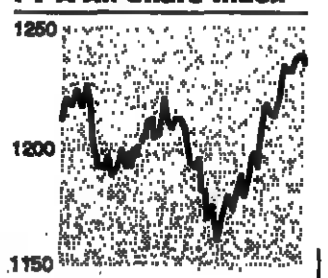
Figures [illegible] top [illegible] of expectations [illegible] T. Cowie 5 [illegible] turnover of 1.7m. The company reported raised interim profits and [illegible].

TI gave up a further 8 [illegible] 547p in nervous [illegible] ahead of today's interim figures.

MARKET REPORTERS:
Daniel [illegible],
Peter John,
Joel Kibazo.

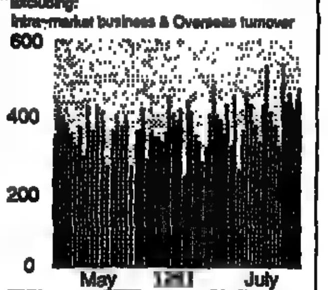
■ Other market [illegible] the FT-Actuaries [illegible] indices and [illegible] Options, Page 17.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (86).
BRITISH FUNDS (3) Treas. 9pc 1992, Fd. 6pc 1993, Treas. 2pc IL 1992, AMERICANS (1) Whirlpool, BANKS (3) ABN Amro, Warburg (SG), Do. 8pc Prf., BREWERS (3) Allied-Lyons, Fosters, CHEMICALS (1) Yorkshire, STORES (4) Dixons (Net) Div Prf., Fine Art Devs., Kingfisher, Smith (WH), ELECTRICALS (6) Ambassador Security, Cable & Wireless, Druck, Electronic Data, Mtnn. Telecom, Renishaw, ENGINEERING (1) Metalrax, FOODS (6) Assoc. Brit. Foods, Iceland Frozen, Northern Foods, Shoprite, Sims, INDUSTRIALS (14) BET, BSS, Courtaulds, De La Rue, Halstead Nycomed A, Do. B, Johnson Cleaners, Kalon, London Intl., Paterson Zochonis, Siebe, Tomkins, Wolseley, Worthington (AJ), INSURANCE (1) Domestic & General, LEISURE (2) Campari Intl., Prism, MOTORS (1) Vardy (Reg), NEWSPAPERS (3) Blenheim, Johnston Press, Metal Bulletin, PAPERS (3) Clondalkin, Smurfit (J), Usher-Walker, PROPERTY (1) Bilton (P), TEXTILES (2) Readicut, Victoria Carpet, TRANSPORT (2) CSX, Transport Dev., TRUSTS (11) Alliance Tst., American Tst. B, Fing. Amer. Cnv. 1999, Fing. Japanese, Inv. Tst. of Guernsey, Investors Capital, Keystone Inv., Monks Inv., River & Merc. Amer. Inc., Scottish Inv., TR Technology Stppd. Prf., OILS (1) Pan Pacific, MINES (2) Antofagasta, Aztec.

NEW LOWS (45).
CANADIANS (1) Central Capital A, BUILDINGS (4) Bailey (B), Higgs & Hill, Ward Grp., Ward Hldgs., CHEMICALS (1) Astra, STORES (2) Colorvision, Hampden Homecare, ELECTRICALS (1) Arlen, ENGINEERING (1) Ransomes, FOODS (8) Carr's Milling, Daniels (S), INDUSTRIALS (8) Barrett (H), Ensor, Hadleigh, Lincat, Melville, [illegible] Photo-Me, Whitecroft, INSURANCE (1) FAI, LEISURE (2) TV-am, Tyne Tees, Yorkshire TV, NEWSPAPERS [illegible] Publishing, PAPERS (1) VTR, [illegible] (4) Embassy, Grainger Tst., London Securities, Trevian, TEXTILES (1) [illegible] (8) [illegible] Wrrnts., First Spanish [illegible] German Smaller, Govett Amer. [illegible], Independent Wrrnts., Sumit, OILS (3) AmBrit Intl., Brabant Res., KCL Sunrise, MINES (3) Cluff Wrrnts., Europa Minerals, Pla[illegible].

APPOINTMENTS

Finance director of BUPA

■ BRITISH UNITED PROVIDENT ASSOCIATION (BUPA) has appointed Mr Edward Lea as group finance director from August 19. In 1988 he started the Redbourn Group as [illegible] chairman, and prior to that was joint managing director, ASDA Stores, and finance director, ASDA Group.

■ Mr J Michael Guerin will be joining the board of NORTHUMBRIAN WATER GROUP, Newcastle upon Tyne, as an executive director on October 1. Since March he [illegible] managing director of the group's enterprise activities and will continue [illegible] post. Following the appointment of Mr David J. Watson as operations director of Northumbrian Water, Mr Simon Armes-Reardon has become acting group financial controller. Mr Tony Foster, formerly operations director at Northumbrian Water, becomes planning director of [illegible] group. Mr Alan [illegible] was corporate finance and planning director [illegible] group, [illegible] been appointed finance director for Northumbrian Water. Mr Alan Girvin has been appointed Northumbrian Water engineering director. Mr John Ledpath becomes managing director [illegible] company [illegible] Mr Jon Hargrea[illegible] development [illegible] managing director [illegible] group's operating [illegible] consultancy company [illegible] September 1. He will be [illegible] by Mr David Tagg, [illegible] area [illegible].

■ BROWN & TAWSE, largest trading company in the Brown & Tawse Group, has appointed Mr David G. Parkes *(pictured)* as deputy managing director. He will continue as marketing director with specific responsibility for P.J. Holloway [illegible]. Mr Alan J. Brett [illegible] director, southern division.

■ [illegible] GROUP [illegible] appointed Mr [illegible] Wheatley [illegible] non-executive director. [illegible] is senior London partner [illegible] Price Waterhouse, a non-executive director [illegible] British Steel, and a member of the Industrial Development Advisory Board. Mr L.V.D. Tindale, deputy chairman, and Sir Donald Barron, a non-executive director, retire from the board.

■ THE FEDERATION OF CIVIL ENGINEERING CONTRACTORS has appointed Mr John Hackett as director general. He is director general of the British Insurance and Investment Brokers' Association, and will join the Federation in November prior to taking over from Mr Ron Emery who retires at the end of the year.

■ PERFORMANCE TECHNOLOGY, San Antonio, Texas, has appointed Mr John Stratford as director of European sales for its networking and storage software.

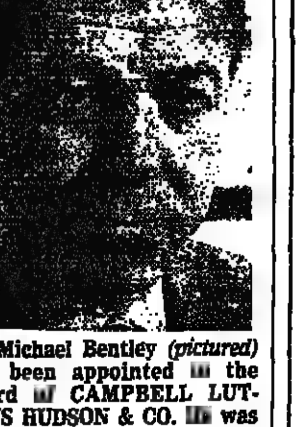
■ Mr David Rotchell has been appointed marketing director of the BARBICAN CENTRE. He was marketing director of Expandite, a Burmah Castrol subsidiary, and replaces Mr Christopher Senior who has joined Forte Hotels.

■ Mr John Barber has been promoted from general manager to managing director of ROYAL REINSURANCE COMPANY. Mr Alf Hill, assistant general manager of Royal Re, is promoted to assistant managing director.

■ DATA GENERAL has made the following appointments: Mr Jeremy Cook, sales director for direct sales - he joins [illegible] Concurrent Computer Corporation; Mr John [illegible] is promoted [illegible] director [illegible] indirect sales - he was sales manager, [illegible] region; and Mr David Smyth, [illegible] UK and Ireland - he moves [illegible] General, Westboro, Massachusetts, [illegible] was controller [illegible] manufacturing services.

■ WALON, Yeovil, [illegible] promoted [illegible] John Merry from deputy [illegible] managing [illegible] of the vehicle preparation and [illegible] group.

■ Mr David Rogerson has [illegible] appointed head of the new TELFORD DEVELOPMENT [illegible]. He was with Wrekin Council.



Mr Michael Bentley *(pictured)* has been appointed [illegible] the board [illegible] CAMPBELL LUTYENS HUDSON & CO. [illegible] was chief executive [illegible] Electra Investment Trust.

FINANCIAL TIMES STOCK INDICES

	July 31	July 30	July 29	July 26	July 25	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
[illegible] Secs	84 [illegible]	[illegible] 78	84.92	[illegible]	84.74	79.84	85 88 (19/2)	82 17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	[illegible]	93.58	94 03	94.[illegible]	[illegible]	88.09	94.84 (5/4)	90.59 (2/1)	105 4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2003.9	2011 8	2011 3	[illegible]	[illegible]	1852.8	[illegible] (5/4)	[illegible] (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	186.0	181.2	[illegible] 3	183.8	[illegible]	187 3	222.8 (11/7)	[illegible]	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2588.8	2595.6	[illegible]	[illegible]	2579.6	2339.0	2595.6 (30/7)	[illegible] (16/1)	2595.6 (30/7/91)	[illegible] (23/7/84)
FT-SE Eurotrack 200	1171 00	1172.16	1170 50	1167.3[illegible]	1168 01	-	1192.11 (5/6)	[illegible] (16/1)	1192.11 [illegible]	[illegible] (16/1/91)
●Ord. Div [illegible]	4.72	4.70	4.71	4.74	4.74	[illegible]				
●Earning [illegible] %(full)	8 12	8.07	8.09	[illegible]	8.14	[illegible]				
[illegible] Ratio(Net)(☆)	[illegible]	15.31	15 29	15 [illegible]	15.19	11.11				
[illegible] Bargns 4.45pm	28,625	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
Equity Turnover(£m)†	-	[illegible]	1530.38	931.79	[illegible]	847.13				
Equity Bargains†	-	33,137	33,162	[illegible]	[illegible]	20,646				
Shares Traded (ml)†	-	477.0	448.2	428.9	454 8	351.1				

[illegible] [illegible] et. 1928, [illegible] 1/7/35, [illegible] mines 12/9/55. Basis [illegible] & FT-SE Eurotrack [illegible] 26/10/90. ☆ Nil [illegible]

Ordinary Share Index, Hourly changes — Day's High [illegible] — Day's [illegible]

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2014 3	2015 6	2010 5	2005 8	2009.0	2008 4	2008.0	2004.1	2004.7

FT-SE 100, Hourly changes — Day's High 260[illegible] — Day's Low 2588.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2597.7	2600.6	2598.4	2588 9	2553 8	2594.7	2592 7	2590 9	2590 7

FT-SE Eurotrack 200, Hourly changes — Day's High 1174.01 — Day's Low 1169 71

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1172.35	1172.85	1171 61	1173.26	1172.93	1172 56	1172.28

GILT EDGED ACTIVITY

Indices*	July 30	July 29
Gilt Edged Bargains	77.1	76.2
5 – Day average	[illegible]	81.9

*SE Activity 1974.
†Excluding intra-market [illegible] turnover.

London report and latest Share index: Tel. 0898 [illegible]

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	132	620	+5	Coats [illegible]	[illegible]	130	-4	Lucas	547	135	-3	Seeboard	12	200	-11
ASDA Group	3,200	90	+1	Courtaulds	[illegible]	441	+2	MB Caradon	520	236	-4	Severn Trent Water	3,700	[illegible]	-3
Abbey National	4,700	296	-7	Dalgety	145	330	+2	MEPC	233	476	-6	Shell Transport	3,700	[illegible]	-4
Albert Fisher	1,800	116		De La Rue	[illegible]	[illegible]	+3	Manweb	81	252	-7	Siebe	2,100	[illegible]	-8
Allied - Lyons	1,600	588	+6½	Dixons	1,300	245		Marks & Spencer	2,000	285	+½	Slough Ests	[illegible]	[illegible]	
Amstrad	96	50		ECC Group	[illegible]	461		Maxwell Comms.	226	200½	+½	Smith (W.H.) A	341	481	-1
Anglian Water	1,200	388	-6	Eastern Elect.	687	177	-3½	Midland Bank	1,500	214	+2	Smith & Nephew	1,500	138½	-½
Argos	79	325	+1	East Midland Elec.	1,800	130½	-10	Midlands Elec.	839	200	-6	SmKl Beecham	4,400	795	-20
Argyll Group	2,200	311	-2	Enterprise Oil	577	558		NFC	2,300	175		SmKl Beecham Uts.	403	[illegible]	-120
Arjo Wiggins	1,900	286		Eurotunnel Units	112	450	-5	NatWest Bank	3,500	315	-5	Smiths Inds	2,000	270	+2
Ass. Brit. Foods	327	540	+2	FKI	1,500	54	+1	National Power	5,400	161½	-2½	Southern Elect.	656	200½	-7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Telecom	4,200	389	-4	Kingfisher	1,200	545	+6	Rothmans	387	1064	-9	Utd. Newspapers	612	370	+1
Bunzl	[illegible]	91½	-½	Ladbroke	4,500	270	-7	Ryl Bk Scotland	2,700	150	+5	Wellcome	281	721	+3
Burmah Castrol	531	[illegible]	-13	Land Securities	1,600	506	-5	Royal Insurance	454	296	+1	Welsh Water	788	361	-9
Burton	[illegible]	[illegible]	+½	Laporte	415	551	-7	Saatchi	3,500	17	-½	Wessex Water	702	367	-14
Cable & Wire.	2,000	[illegible]	+4	Legal & General	261	487	+1	Sainsbury	2,200	375	+4	Whitbread 'A'	720	500	+4
Cadbury	1,300	[illegible]	-3	Lloyds Abbey	4,000	416	-11	Scottish & New	977	472	+3	Williams Hldgs.	1,000	329	+2
Calor Group	664	[illegible]		Lloyds Bank	3,100	370	+7	Scot. Hydro - Elect.	4,500	116½	+2½	Willis Corroon	180	314	-1
Carlton Comms.	378	[illegible]	+2	LASMO	1,100	393	-6	Scottish Power	14,000	109½	+2	Wimpey	210	172	+4
Coats Viyella	648	[illegible]		London Elect.	664	194½	-4½	Sears	2,100	85	-½	Yorkshire Elect.	1,000	241	-6
Comm. Union	287	516	+3	Lonrho	1,500	250	-1	Sedgwick	1,500	2[illegible]	-6	Yorkshire Water	784	376	-18

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

Derivatives markets [illegible] featured yesterday by the expiry of the July index options, which tended to provide technical support for a [illegible] for a stock market lacking conviction, [illegible] our markets [illegible].

After the expiry had been completed, effectively at 11.20am, share prices began to turn down. The option expired [illegible] to 2,600.

In the futures [illegible] the September [illegible] on the FT-SE Index continued to trade at a comfortable premium of 36 points at best, providing further support for an underlying market, which [illegible] to be [illegible] confident than in recent [illegible].

Traders warned that market-making firms [illegible] still [illegible] of stock and thus inclined to play the [illegible] against the underlying equities where possible; but there are still clearly [illegible] investors willing [illegible] a positive view in the stock [illegible] market.

In [illegible] options, volume [illegible] away [illegible] only 19,174 [illegible] against 23,072 in the previous [illegible]. Midland Bank topped the [illegible] list with 900 [illegible]. The Euro [illegible] contract [illegible] yesterday, trading [illegible] contracts, but Abbey National, which disclosed [illegible], [illegible] only 740 option [illegible].

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100	[illegible]	Exch. 11pc 1991	100	.....	11.00	10.62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Five to Fifteen Years				
100¼	95½	Conversion 10pc 1996	99¼	.....	10.10	10.[illegible]
99½	97¼	Do. 10pc 1996 B	99	.....	10 11	10.[illegible]
113½	108½	Treas 13¼pc 1997	111½	+⅛	11 89	10 [illegible]
102½	97¼	Exch 10½pc 1997	100½	.....	10.41	10 [illegible]
94½	89½	Treas 8¾pc 1997	93½	.....	9.35	10 [illegible]
122½	117	Exch 15pc 1997	119½	.....	12.51	10.53
98½	93½	Exch. 9¾pc 1998	97½	+⅛	9.98	10.23
85½	80½	Treas 6¾pc 1995-98	85½	+⅛	7.88	9 68
127½	121¼	Treas. 15½pc '98	125¼	+⅛	12.39	10.41
109½	104½	Exch. 12pc 1998	108¼	+⅛	15.69	10.32
97½	92½	Treas 9½pc 1999	96½	+⅛	9 80	10.09
111½	105½	Exch. 12¼pc 1999	109½	+⅛	11 16	10.35
102½	97½	Treas 10½pc 1999	101½	+⅛	10.36	10 24
101¼	95½	Conversion 10¼pc 1999	99½	+⅛	10.26	10 24
94½	89½	Conversion 9pc 2000	93½	+⅛	9.58	[illegible].06
116½	110½	Treas 13pc 2000	114½	+⅛	11.32	[illegible].40
100¼	94½	Treas 10pc 2001	99½	+⅛	10.09	[illegible].14
118½	113½	Treas. 14pc '98-01	116½	+⅛	12.00	[illegible].50
98½	92½	Treas 9¾pc 2002	97½	+⅛	10.02	[illegible].15
100½	94½	Treas 10pc 2003	98½	+⅛	10.10	[illegible].13

BRITISH FUNDS – Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	102	Treas. 11½pc 2001-04	106½	+⅛	10 78	10.37
58½	53.2	[illegible] 3½pc '99-04	58½	+⅛	[illegible]97	[illegible]
97½	[illegible]	[illegible]	[illegible]	[illegible]	9.94	10.09
97½	[illegible]	[illegible] ½pc 2005	[illegible]	+⅛	12 34	10 08
		Over Fifteen Years				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Undated				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Index–Linked (b)			(1)	(2)
131¼	125¼	Tr. 2pc '92	(97 8)	131½	[illegible]	[illegible]
118½	115¼	Do. 2 '94	(102 9)	118½	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2pc '96	(67.9)	171¼	[illegible]	[illegible]
142½	137¼	Do 2½pc '01	(78.3)	141 –⅛	4.08	4.39
[illegible]	133	Do. [illegible]pc '03	(78.8)	136½ –⅛	4 15	4 42
[illegible]	135	Do. [illegible]	(69.5)	138¼ –⅛	4 22	[illegible]
[illegible]	124½	Do. 2½pc '09	(78 8)	126½ –⅛	4.29	4 43
132½	128½	Do. 2½pc '11	(74 6)	130½ –⅛	4 24	4 42
109½	105½	Do. 2½pc '13	(89.2)	107½ –⅛	4 24	4 40
117½	113½	Do. 2½pc '16	(81.6)	114½ –⅛	4.21	4.37
113½	109½	Do 2½pc '20	(83 0)	110½ –⅛	4 18	4.32
[illegible]	91½	Do. 2½pc '24	(97.7)	92½ –⅛	4.13	[illegible]

Prospective real [illegible] rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses [illegible] base for [illegible] (ie 8 m[illegible] prior to [illegible] and [illegible] been [illegible] rebasing of [illegible] to [illegible] in January [illegible] 3.945. RPI [illegible] 1990: [illegible] for June 1991: 134.1

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	95⅞	African Dv Bk 11¼Ln 2010	101½	–⅛	[illegible]	[illegible]
97½	91⅞	Asian Dev Bk 10¼pcLn2009	96½	–⅛	[illegible]57	10 63
112½	105½	Int-Am Dev Bk 12½pc 2003	111½	–⅛	11.25	10 77
92½	86½	Do 9¼pcLn 2015	91½	–⅛	10.44	[illegible]

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]	[illegible]	[illegible] 87-92 Assd.	9[illegible]			

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public [illegible] and Ind.

[illegible]	52	Met. Wtr. 3pc 'B'	52	.....	5.77	[illegible]

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass	50		3 50	17.00
50	50	Do 6pc 28 Stb Ass	50	.....	3	[illegible]
50	50	Do 4pc Mixed Ass	50	.....	2	14.00
55	55	Hung. '24 Ass	55		2.75	[illegible]
128	1[illegible]	Hydro Quebec 15pc 2011	126½	–⅛	12 89	11.56

Continued on [illegible] page

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AMERICANS

1991 High	1991 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20⅞	Abbott Laboratories	31¼	-⅛	$1.00	–	1.9
385p	257p	Allegheny & W 1c	289p	-7	30c	–	6.1
10¼	667p	Amdahl 5c	853pxd	+16	10c	–	0.7
42⅛	25¼	Amer. Cyanamid $5	39	+1¼	$1.50	–	2.3
17⅞	9½	Amer. Express 60c	15⅛xd	-¼	92c	–	3.6
24½	15¼	American T. & T. $1	23⅛xd	....	$1.32	–	3.3
38⅞	32½	Ameritech $1	36	+⅛	$3.40	–	5.6
24	[illegible]	BankAmerica $1⅝	20⅝xd	+⅛	$1.20	–	3.5
34⅞	[illegible]	Bankers N.Y. $1	34¼xd	+⅛	$1.52	–	8.4
30½	[illegible]	Bell Atlantic $1	28⅛xd	....	$2.52	–	5.2
[illegible]	25	BellSouth Corp	28¼	-¼	$2.76	–	5.7
[illegible]	6⅝	Bethlehem Steel $8	9⅞xd	+⅛	40c	–	2.4
1839p	1046p	Bowater Inc	1505p	+1	$1.20	–	4.7
9½	[illegible]	Brunswick 75c	8⅞xd	+⅛	44c	–	2.9
54	[illegible]	CPC Intnl. 25c	51xd	+⅛	$2.00	–	2.3
852p	[illegible]	California Engy	787p	+1	–	–	–
50	[illegible]	Campbell Soup 15c	47½xd	+1⅛	$1.16	–	1.5
12⅞	[illegible]	Chase Manhattan $12½	11⅝xd	+⅛	$1.20	–	6.2
9⅞	3½	Chrysler $6¼	8⅞xd	+⅛	60c	–	4.3
10⅛	5⅞	Citicorp $1	8⅝xd	-⅛	$1.00	–	6.9
25	21⅞	Colgate-Palmolive $1	23⅞xd	+⅛	$1.06	–	2.7
[illegible]	438p	Cont'l Bank Corp $4	801p	+8	$1.00	–	7.4
[illegible]	13⅞	Dana Corp. $1	19⅞xd	-⅛	$1.60	–	4.9
[illegible]	203p	Data General	1023p	-6	–	–	–
[illegible]	12⅞	Dial Crop. $1.5	21⅛xd	-⅛	$1.40	–	3.8
[illegible]	20¼	Dun & Bradstreet $1	27⅛	+⅛	$2.16	–	4.7
40	24¼	Eaton Corpn. 50c	39	....	$2.20	–	–
[illegible]	5½	Echlin Inc	8¼xd	....	70c	–	5.0
[illegible]	14⅞	FPL Group 1c	18⅞xd	+⅛	$2.40	–	7.5
[illegible]	17⅞	Fluor Corp 62½c	27⅞xd	+⅛	32c	–	0.7
[illegible]	13⅛	Ford Motor $1	19⅞xd	+⅛	$1.60	–	3.0
[illegible]	28⅞	Gen. Elect. 63c	43⅞xd	+¼	$2.04	–	2.8
[illegible]	270p	General Host Corp $1	445p	....	34c	–	4.5
[illegible]	20⅞	Gillette $1	23½xd	+⅛	62c	–	1.6
[illegible]	18½p	Gt American Bank $1	18½p	....	–	–	–
[illegible]	794p	Hasbro Inc 50c	17⅛	+⅛	24c	–	0.8
[illegible]	[illegible]	Honeywell $1½	34⅞xd	....	$1.50	–	2.5
23	[illegible]	Houston Inds.	23	....	$2.96	–	7.6
72⅞	[illegible]	IBM Corpn $1¼	60¼xd	+⅛	$4.84	–	4.7
32½	[illegible]	Ingersoll-Rand $2	38⅞xd	+⅛	$1.32	–	2.6
28⅛	16⅛	Lockheed Crpn. $1	27⅛xd	+⅛	$1.80	–	3.8
2155p	1245p	Lowe's 50c	2054p	+9	56c	–	1.6
17⅞	9½	Manuf. Hanover $1	16⅞xd	+⅛	♦$3.28	–	11.4
26⅞	10⅛	Merrill Lynch $1	24⅞xd	+⅞	$1.00	–	2.4
33⅞	21⅞	Morgan (JP) $2½	30⅞xd	-⅛	$1.98	–	3.9
41½	25⅞	Morris (Philip)	39⅞xd	+⅛	$1.72	–	2.6
46⅛	39	NYNEX $1	44⅛	+⅛	$4.56	–	6.1
89p	30p	Pac. Agricultural	30p	....	–	–	–
23⅛	[illegible]	Pall Corp. 25c	21¼	-⅛	b44c	–	1.2
46¼	[illegible]	Pennzoil 83 1/3c	43¼xd	-⅛	$3.00	–	4.1
40½	[illegible]	Quaker Oats $5	36¼xd	+⅛	$1.56	–	2.5
40⅛	[illegible]	Rep NY Corpn $5	39⅛xd	-⅛	$1.40	–	2.1
[illegible]	[illegible]	Rockwell Intl. $1	15⅛xd	+⅛	86c	–	3.4
[illegible]	[illegible]	Sears, Roebuck 75c	24⅛xd	+⅛	$2.00	–	4.9
[illegible]	[illegible]	Southwestern Bell $1	31⅛xd	+⅛	$2.84	–	5.3
[illegible]	[illegible]	Sun Co. Inc. $1	17⅞xd	+⅛	$1.80	–	6.3
[illegible]	[illegible]	Tenneco $5	22⅛	-⅛	$3.20	–	8.1
[illegible]	[illegible]	Texaco $6.25	38⅝xd	+⅛	$3.20	–	4.9
[illegible]	[illegible]	Texas Instr. $1	19½xd	-⅛	72c	–	2.2
[illegible]	[illegible]	Time Warner $1	49⅞	+⅞	$1.00	–	1.2
[illegible]	8⅞	TRINOVA Corp	15⅞xd	+¼	68c	–	2.7
[illegible]	[illegible]	Unilab	510p	....	–	–	–
[illegible]	[illegible]	Utd. Technologies	27⅞	-⅛	$1.80	–	3.8
92p	[illegible]	Utilitech Inc	92p	....	–	–	–
23	18¼	US West	21⅛	+⅛	$2.08	–	5.7
24⅞	16⅛	Waste Management $1	22¼	+⅛	44c	–	1.2
2069p	1053p	Whirlpool $1	2069p	+150	$1.10	–	3.1
20⅞	13½	Woolworth $3½	17⅛	+⅛	$1.08	–	3.7

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INDUSTRIALS (Miscel.) – Contd

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LEISURE

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
557	155	Airtours 10p	546	–3	†8.25	2.9	2.0	17.1
108	71½	Allied Leis 5p	93		F4.75	3.5	6.8	6.5
246	140	Anglia TV	175	–1	9.26	2.4	7.1	8.0
31	14	Avesco 1p	28		1.5	1.1	7.4	16.7
9	4½	BCE Hldgs 5p	6		–			
178	123	Barr & W.A.T. 'A'	154		9.75	1.6	8.4	10.0
685	425	Boosey & Hawkes	655	+5	16.4	2.7	3.3	13.1
43	24	Border T.V.	43		2.1	1.1	6.5	19.3
88	17	Brent Walker 10p	20½	–1	5.0	–		–
28	4	Do 6pc Cv Cm Rd Pf £1	7		6.0	–		
54	43	Buckingham Int'l 10p	44		2.1	1.8	6.4	10.3
350	183	Campari Int. 20p	350xd	+5	†11.0	2.9	4.2	9.6
205	134	Capital Radio 2½p	172	+3	5.25	2.9	4.1	11.3
507	350	Carlton Cmtns 5p	479	+2	†14.1	2.4	3.9	13.4
81	61	Do. 6.5p Prf 5p	76		6.5	–	11.4	–
253	168	Castle Comms 5p	218		8.5	1.7	5.2	14.6
825	480	Central ITV	795		28.5	1.4	4.8	19.5
158	120	Chiltern Radio 10p	148		14.8	2.6	4.3	11.4
89	39	Chrysalis	76		s2.0	–		–
69	27	Cityvision 5p	33	–1	1.0	7.0	4.1	4.3
6	3	Classic TV'Brds NO.20	3		–			
1275	908	Euro Disney Fr10	1258	–12	–			
30	5	European Leis. ¼25p	14½	–½	1.7	2.2	15.6	2.4
44	21½	Ex Lands 10p	31		–			
47	17	Expedier 20p	17		1.0	2.7	8.1	4.5
563	405	Fairline Boats 10p	468	–2	21.0	4.1	6.0	5.4
276	188	First Leisure	267	–3	†5.05	2.6	2.5	18.3
253	195	GWR Group 20p	242		s6.0	3.2		12.6
73	59	Grampian TVA 10p	62	–1	4.1		8.8	
8	5	Greenwich Comm. 1p	5					
63	33	HTV Ord.	39	–1	3.75	1.2	12.8	9.0
145	56	Hi-Tec Sports	137		5.0	2.9	4.9	9.3
4½	2	Int'l Media Comm. 1p	2		–			
64	30	Intl. Resort Hldgs	57		3.2	2.5		4.9
78	49	Javelin Sound 10p	78		1.0	4.2	1.7	24.5
47	29½	Kunick 10p	29½		2.0	2.2	9.0	7.1
88	53	Do. 8¼pc Pf. 5p	73		8.25	–	15.1	–
110	80	LWT Hldgs 1'53p Pf 5p	107		13.94	–	4.9	–
[illegible]								

PROPERTY

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
4½	2	Abaca Grp. 5p	2		–			
100	78	Allied London 10p	80		3.53	0.5	5.9	41.3
95	75	Do. 5¼pc Cnv Rd Pf £1	85		5¼%		9.0	
43	11	Anglo St. James 35p	14	–1	s3.0	1.2		13.0
90	70	Arcadian Intl	70		s4.0	0.4		–
106	66	Asda Property 20p	81		1.85	0.8	3.0	57.4
85	60	Do 5¼pc Cnv Pf £1	76		5¼%		9.8	–
32	18	BDA Hldgs. 10p	24		–			–
48	30	BHH Group 50p	36		1.0	–	3.5	–
68	45	Baker Hrris Sndrs 10p	54		2.5		6.1	
71	52	Barlows 10p	53		2.48	0.6	6.2	38.7
448	325	Bilton (Percy)	448	+3	17.44	1.5	5.2	17.7
68	51	Bolton Grp. 5p	55		–			–
85	48	Bourne End Prop.	50		2.0	–	5.3	–
150	115	Bradford Prop. 5p	150	+2	3.7		3.3	14.2
88	63	Brederc Props	63		2.4		5.1	7.9
98	44	Britannia Grp. 5p	58	+2	3.0		8.0	13.8
330	255	British Land	295		5.75		2.6	27.7
£113	£100	Brit Land 8½pc Cv	£108		8½%		8.0	
188	151	Brixton Estate	167		7.1	1.4	5.1	16.9
48	35	Burford Hldgs 1p	39		0.85	1.9	2.9	23.8
18	9	Cabra Ests	11	+½	0.1		1.2	–
366	290	Capital & Counties	332		13.2	1.8	5.3	13.5
95	77	Do 5¼pc Prf £1	87	+1	5.75%		8.8	–
135	110	Cap & Reg Prop.	110		0.9		1.1	–
325	225	Cardiff Prop 20p	225		2.4		1.4	37.1
640	475	Chesterfield	515		18.5		4.8	18.0
95	70	Do. 5.25pc Cv Cm Pf £1	79		5.25		9.0	–
59	37	Christie Grp 2p	42	+2				
160	105	City Site Estates	110		1.92		2.2	–
60	27	Clarke Nickolls	55		0.75	3.0	1.8	19.8
92	26	Clayform Props 5p	26		2.0		10.3	–
9	2	Do. Warrants	2		–			–
725	600	Compco Hldgs 20p	600		12.96		2.9	–
35½	12	Control Secs. 10p	27½	+3½	0.7		5.4	
78	50	CountyGlen	50		–			
885	720	Daejan (Hldgs)	815		24.0		3.9	
67	32	Danbury Grp 10p	49		15.06	2.0	13.8	2.9
[illegible]								

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
£11⅞	£7¾	Homestake Mining $1	£10⅛		Q20c		1.2
61	30	Hiverna West	53	+1			
46	36	Kells Mins. Ir5p	36				
29	9	Kenmare	19				
18	15	Navan Resources	16				
99	52	Northgate Expl. C$1	72				
16	6	North West Expl.	7				
109	25	Nor-Quest Res.	103				
188	82	Oryx Gold Hldgs	167				
23	11	Ovoca Gold IR 2p	19				
44	21	Pittsea Mining 20p	21	–2			
598	404	RTZ 10p	584	–4	19.5	2.2	4.5
11	3¼	Thorco Res. Inc.	10¼	+¼			
10	5	Vizcaya Hldgs 5p	5				
133	120	Young Group 10p	123		5.2	1.7	5.6

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β [illegible] refers to all other shares. γ Gamma refers to other trad[illegible] instruments.

Highs and lows are based [illegible] intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate [illegible] per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current [illegible] closing share price. The NAV basis assumes prior charges at [illegible] value, convertible[illegible] converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ¶ In[illegible] dividend after pending scrip and/or rights issue; c[illegible]ates to previous dividend or forecast.
- ♦ [illegible]id or reorganisation in progress
- ♦ N[illegible]arable
- ♦ S[illegible]terim; reduced final and/or reduced earnings in[illegible]
- § F[illegible] dividend; cover based on earnings updated by latest [illegible] statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ⊕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures [illegible] on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Divid[illegible] and yield based on prospectus or other official estimates for 1[illegible]0-91. G Assumed dividend [illegible] yield after pending scrip and/[illegible] rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based [illegible] prospectus or other official estimates for 1991. Q Gross [illegible] Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc [illegible]p issue; xr ex rights; xa ex all; xd ex capital distribution.

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

FINANCE, LAND, ETC

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	640	
Finlay Pkg. 5p	26	
Holt (Jos) 25p	1970	
Helton Hldgs	35	+3
IRG	128½	
United Drug	165	–7

IRISH

Stock	Price	+ or –
Cap. 6¼% Ln. 2010	£92¼	
9pc Cap Ln. 1996	£97¼	–¼
Fin. 13% 97/02	£112¼	
Arnotts	172	

TRADITIONAL OPTIONS

3-month call ra[illegible]

Industrials

Stock	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	88
Grand Met	62
Guardian	29
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Stock	p
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Stock	p
Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	18
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	38

Mines

Stock	p
Lonrho	21
RTZ	48

This service is available to companies [illegible] shares are regularly traded in the United Kingdom for a fee [illegible],150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The [illegible] report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrg.	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	307.5	307.5	327.9	+2.8	1.29
(Accum Units)	5	359.7	359.7	383.6	+3.3	1.29
British	5	802.9	802.9	849.4	-4.3	3.86
(Accum Units)	5	1285.4	1285.4	1359.8	-6.9	3.86
European	5	321.5	321.5	342.3	-1.0	1.54
(Accum Units)	5	344.6	344.6	366.9	-1.1	1.54
Japan	5	120.0	120.0	127.5	+0.3	-
(Accum Units)	5	120.9	120.9	128.5	+0.3	-
New Pacific	5	175.0	175.0	186.0	+0.1	1.94
(Accum Units)	5	179.7	179.7	191.0	+0.1	1.94
PLP July 31	5	134.0	136.3	144.2		3.85
Mngd Equity	5	122.1	124.0	131.5		3.55
Mngd Equity Inc	5	129.7	131.8	139.4		
Mngd Cash	5	96.01	96.01	100.8		
(Accum Units)	5	113.7	113.7	119.4		
	5	119.9	119.9	126.8		
Majority Stlg	1	100.82	100.82	101.83	+0.03	
Majority Stlg Acc	1	104.92	104.92	105.95	-0.03	

Stonehand Intl Inv Mngrs Ltd (1200)F
5 Rayleigh Rd, Hutton, Brentwood, Essex
Dealing 0277

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

	Init Chrg.	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	6	604.4	611.9	654.4	-2.1	3.25
North American	6	79.47	80.29	85.86	-1.12	0.95
Far East	6	94.26	95.18	101.8	+0.2	1.12
Worldwide Bond	6	46.98	46.98	49.98	-0.15	6.19
European	6	66.38	66.82	71.47	-0.36	1.56
Equity Income	6	70.30	71.10	76.04	-0.25	5.05
Portfolio	6	58.36	58.36	62.42	+0.39	2.21

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingstoke, Hants 0800 52

	Init Chrg.	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	6	26.57	26.57	28.43		
Managed Assets	6	102.70	103.75	110.52		
UK Income	6	32.69	33.19	35.50	-0.14	
UK	6	32.77	33.19	35.50	-0.09	
Growth	6	24.59	24.59	26.30	+0.11	

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American July 31	161.3	165.7	+2.5	1.32
Managed July 31	147.0	152.5	+0.1	3.77
Japan Aug 1	117.5	120.7	+2.0	0.00
Sm Jap Cos July 31	566.4	582.0	+5.9	0.00

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens P'folio	131.8	136.7	-0.9	

Robert Fleming Asset Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	1403.86		+3.86	
Gen Exempt	1132.66		+0.17	
Jap Exempt	1484.94		+4.92	
Pacific Exempt	1103.69		+0.08	
Contl Euro Exempt	195.96		+0.05	
Indexed Exempt July 25	129.50			
Amer Indexd Exm July 25	103.75			
Japan Indexd Exm July 25	163.79			
Euro Indexd Exm July 25	195.77			
Pacific Indexd Exm July 25	197.99			

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital July 17	493.46	497.00		
Gross July 17	177.49	178.92		
High Yield July 17	291.89	294.24		

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	53.7	54.8	-0.10	

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P Folio	1218.0	1312.0		-
Mngd Pens (Acc)	68.70	73.20		-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jan 3	2360.0	2475.8		
Inc Gth Prp Apr 16	1325.0	1460.0		

Lazard Investors Ltd
Exempt Funds

Albany Life Assurance Co Ltd

	Bid Price
Intl Man Fd Acc(z)	423.9
Japan Fd(z)	271.1
Da Smllr Co's Fd Acc(z)	91.6
Europlus Metro	132.4
Global Metro	105.5
Sunrise Metro	125.7
UK Metro	118.4
Nth American Fd Acc(z)	136.4
Pac Basin Fd Acc(z)	135.6
Prop Fd Acc(z)	331.1
Millennium	112.2
Multiple Inv Acc(z)	782.2
Pension Funds	
Brit Blue Chip Acc(z)	1199.2
Eq Pen Fd Acc(z)	2401.6
Euro Fd Acc(z)	324.2
Intl Fixed Int Acc	420.0
Fixed Int. Acc(z)	870.4
Gt Money Pn Acc(z)	550.0
High Interest	197.5
High Income Fd Acc(z)	145.6
Intl Man Fd(z)	633.5
Jap Pen Fd Acc(z)	369.5
UK Smllr Co's Fd Acc(z)	99.1
Europlus Metro	144.8
Global Metro	109.9
Sunrise Metro	135.5
UK Metro	125.7
N Am Pn Fd Acc(z)	286.6
Pac Basin Fd Acc(z)	180.1
Property(z)	584.2
Mltple Inv Pens Acc(z)	1612.5
Broker Funds	
YRA Strategy	138.4
YRA Performance	120.7
Laughton Dollar (SD)	123.1

Allied
Allied Dunbar Ctr, Swindon SN1
Life Funds

	Bid Price
Fixed Int. Dep. Acc.	317.8
Equity Acc	1030.5
Property Acc	505.2

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	108.0	113.7	.....	-
Pension Managed Fd	106.6	112.2	-0.4	-
Life Deposit Fd	108.4	114.1	.....	-
Pension Deposit Fd	114.0	120.0	.....	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	116.5	122.7	-0.3	-
Managed Growth	144.4	152.0	-0.1	-
Managed Opportunity	145.8	153.5		-
NFMC Target Financial	104.1	109.6	+0.6	-
Pension Funds				
Managed Cautionary	126.9	133.6	-0.3	-
Managed Growth	152.7	160.8		-
Managed Opportunity	145.8	153.5		-
NFMC Target Mngd Pen	1551.7	1633.4	+0.6	-

National Mutual Life
The Priory, Priory Pk, Hitchin SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	165.3	174.1	+1.2	-
UK Equity	174.9	184.2	+1.0	-
Overseas Equity	137.8	145.1	+2.1	-
Fixed Interest	147.6	155.4	+0.7	-
Property	132.3	139.3	+1.5	-
Index Linked	147.1	154.9	+0.2	-
Deposit	159.1	167.5	+0.3	-
With Profits (B)	130.4	[illegible]	[illegible]	-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 696588

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	154.0	163.0	-	-
Accum Equity	221.5	234.0	.....	-
Accum Managed	230.0	243.0	+0.5	-
Accum Five Star	172.0	181.5	+1.0	-
Accum World	126.0	133.0		-
Accum Lifetime	112.9	112.9	+1.6	-
Pens Acc Equity	240.0	253.5	-0.5	-
Pens Acc Managed	287.5	303.5	+0.5	-
Pens Acc Intl	217.0	228.5	+0.5	-
Pens Acc Deposit	201.5	213.0	+0.5	-
Pens Acc Five Star	188.5	198.5	+1.0	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	229.6	242.2	-0.7	-
UK Fixed Int Acc	177.7	187.5		-
Intl Equities Acc	179.1	189.0	+0.6	-
UK Managed Acc	176.0	185.6	-0.2	-
Property Acc	224.9	237.3	+1.0	-
Money Acc	130.4	137.6		-
Special Market Acc	145.5	153.5	-0.7	-
Japan Equity Acc	104.6	110.4	+0.9	-
North American Acc	108.6	114.6	+0.7	-
Pacific Acc	98.3	103.7	+0.4	-
Technology Acc	125.5	132.4		-
Nat Resources Acc	60.2	63.6	-0.5	-
European Acc	100.7	106.3		-
Residential Prop Acc	96.1	101.4		-
Swiss Equities Acc	35.0	37.0	.....	-
Hong Kong Acc	69.3	73.2	+0.1	-
UK High Inc Eq Acc	73.8	77.9	-0.5	-
Int Fixed Interest Acc	57.8	62.0		-
Int Managed Acc	57.2	60.3	+0.1	-

Royal Heritage Life Assurance Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
MIM Britannia				
European Smaller	125.9	132.2		
US Smlr Co's	122.7	129.2		
Extra Inc	139.6	147.0		
Sth & East Asia Grth	190.7	200.8		
Gold	34.1	35.9		
Inc Growth	261.7	275.5		
Japan Perf	239.3	250.9		
Japan Smlr Cos	207.2	218.2		
Nat High	231.0	243.2		
Prop Shares	133.0	140.0		
Smaller Cos	181.5	191.1		
Max Growth	204.1	214.8		
Gilt	72.2	76.0		
Gartmore Funds				
American	172.1	181.2		
British	276.1	290.7		
European	173.1	182.3		
Extra Inc	186.9	196.8		
Frontier Markets	125.2	131.8		
Intl Fixed Interest	87.8	92.5		
Gold Intl Resources	56.0	59.0		
High Inc	255.1	268.6		
Hong Kong	179.0	189.3		
Income	323.6	340.6		
Japan	321.4	338.4		
UK Smlr Cos	261.4	275.2		
Mar Gth	337.3	355.1		
Global Inc & Grth	126.1	132.8		
Worldwide Recovery	100.7	106.0		
European Select Opps	132.7	139.7		
Pacific Growth	167.3	176.2		
Perpetual Funds				
International Growth	115.1	121.2		
Income	112.9	118.9		

Prosperity Life Assurance Ltd · Royal Heritage Life Assurance Ltd · Shield Assurance Ltd · Swiss Life (UK) PLC · CMI Insurance Co Ltd—Contd. · ECU Futures Plc · Hambros Fd Mgrs (CI) Ltd

National Provident Institution · Norwich Union Asset Management Ltd · Norwich Union Life Insurance Soc. · Pearl Assurance (Unit Funds) Ltd · Pegasus Assurance Ltd · Premium Life Assurance Co Ltd · Professional Life Assurance Co Ltd · Prolific Life & Pensions Ltd

Provident Life Assnc Ltd · Provident Mutual Life Assc. Assn. · Prudential Assurance Co · Prudential Holborn Life Ltd · Prudential Holborn Pension Ltd · Prudential Pensions Limited · Reliance Mutual · Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd · Royal Liver Assurance · Save & Prosper Group · Scottish Amicable · Scottish Equitable Life Assce. Soc. · Scottish Life Investments · Scottish Mutual Assurance Society · Scottish Mutual Investments · Scottish Provident Institution · Scottish Widows' Group

Skandia Life Assurance Co Ltd · Standard Life Assurance Company · Sun Alliance Group · Sun Life of Canada (UK) Ltd · Sun Life Unit Assurance Ltd

Swiss Pioneer Life Plc · TSB Life Ltd · Target Life Assurance Co Ltd · Tindall Assurance Company Ltd · Templeton Life Assurance Limited · Tunbridge Wells Equitable · Wesleyan Assurance Society · Windsor Life Assce Co Ltd · Woolwich Life Assurance Co Ltd · Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Aitken Intl Assurance (Bermuda) Ltd · Albany International Assurance Ltd · CMI Insurance Co Ltd · Equitable Life (International) · Equity & Law Intl Life Assce Co Ltd · Fidelity International Ltd · Friends Provident · Guardian · Providence Capital International Ltd · Royal Life Intl Ltd · Royal Skandia Life Assurance Ltd · Sun Alliance International Life

MANAGEMENT SERVICES

Independent Financial Group PLC · Knight Williams & Company Ltd · Edinburgh Money Management Ltd · Fairmount Financial Services Ltd · Gartmore Fund Managers Ltd · Westminster Financial Services · Rothschild Asset Management (CI) Ltd · Lloyds Intl Money Market Fund Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd · Arab Bank Fund Managers (Guernsey) Ltd · Barings Intl Fd Managers (Guernsey) Ltd · Guinness Flight Fd Mngrs (Guernsey) Ltd · Kleinwort Benson Intl Fd Mngrs Ltd · Lazard Fund Managers (CI) Ltd · Schroder Investment Mngmt (Guernsey) Ltd

JERSEY (REGULATED)

هكذا من الأصل

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Economic worries to the fore

THE DOLLAR [illegible] lower yesterday as the currency markets continued to worry about the possibility of a rise in German interest rates and the pace of the US economy's climb out of recession.

The dollar opened lower in Europe following another hint by Bundesbank *president-designate*, Mr Helmut Schlesinger that German interest rates may have to rise.

[illegible] a newspaper interview, Mr Schlesinger said: "First of all, we have a slight climb in market [illegible] rates, especially the capital market. We are clearly in a period of rising interest rates."

But he also said: "I don't want to conclude from this that we are forced to act in regards to our interest rates."

Mr Schlesinger's [illegible] were a reiteration of comments made last week. Nevertheless, the markets dollar took them badly and the dollar fell to DM1.7380 from a previous London close of DM1.7505.

Having begun weakly, the dollar then spent much of the session trading in a narrow range, nervously awaiting a batch of US economic statistics.

The release of a disappointing set of June factory order figures was the trigger for a bout of dollar selling. The 1.4 per cent decline was more than [illegible] analysts' forecasts and compared with [illegible] of [illegible] per [illegible] in May. The dollar duly fell [illegible] to [illegible] DM1.7410 support level [illegible] recovering slightly.

The release of June leading indicators had little immediate impact [illegible] the dollar, although *it did* [illegible] *about* [illegible] strength [illegible] the [illegible] recovery. The [illegible] per cent increase in June compared with expectations of a 0.7-0.8 per cent rise and the previous month's 0.8 per cent gain.

Looking forward to the rest of the week, attention is likely to focus on the US National Association of Purchasing Managers report today and employment figures tomorrow. These two reports will give the first indication on how the US economy performed in July and will be scrutinised for further clues on the strength of the recovery.

The dollar closed [illegible] at [illegible] from DM1.7505; at [illegible] SFr1.5250; [illegible] from Y137.80; [illegible] at FFr5.9350 from [illegible].

Sterling [illegible] steady despite the recent gloomy survey [illegible] the Confederation [illegible] Industry. No immediate reduction in UK interest rates [illegible] *expected, particularly* [illegible] rise in German [illegible] by dealers [illegible].

Sterling [illegible] $1.6805; to SFr2.5700 from SFr2.5675; [illegible] unchanged at [illegible] and [illegible] from DM2.9425; and to FFr10.000 from [illegible].

In [illegible] Exchange Rate Mechanism, the D[illegible] remained [illegible] on speculation that the Bundesbank will [illegible] German rates at its next council meeting on August 15. Elsewhere, the Lira suffered [illegible] early weakness on speculation that an Italian general election may be called and on worries about [illegible] budget [illegible].

£ IN NEW YORK

July 31	Latest	Previous Close
£ Spot	1.6815-1.6825	1.6745-1.6755
1 month	0.76-0.74pm	0.79-0.77pm
3 months	2.11-2.08pm	2.10-2.07pm
12 months	6.40-6.30pm	6.45-6.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 31	Previous
8.30 am	91.0	90.9
9.00 am	90.9	90.9
10.00 am	90.9	90.9
11.00 am	90.9	90.9
Noon	90.9	90.9
1.00 pm	90.9	90.9
2.00 pm	90.9	90.9
3.00 pm	90.9	90.9
4.00 pm	90.9	90.9

CURRENCY MOVEMENTS

Jul 31	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.9	-21.0
U.S Dollar	66.8	-11.7
Canadian Dollar	105.4	+2.7
Austrian Schilling	108.8	+11.3
Belgian Franc	110.2	-2.8
Danish Kroner	107.5	+2.3
D-Mark	116.5	+23.4
Swiss Franc	108.8	+17.7
Dutch Guilder	112.9	+15.2
French Franc	101.8	-13.8
Lira	98.2	-20.2
Yen	137.6	+69.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jul 30

CURRENCY RATES

Jul 31	Bank $ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.791931	0.697596
U.S Dollar	5.50	1.33434	1.17529
Canadian $	8.95	1.53649	1.35253
Austrian Sch	7	16.3790	14.4373
Belgian Franc	7.50	47.9528	42.2860
Danish Krone	9	9.01013	7.94485
D-Mark	6.50	2.32856	2.05231
Dutch Guilder	7.75	2.62585	2.31366
French Franc	10¼	7.91931	6.97951
Italian Lira	11½	1741.01	1531.74
Japanese Yen	5.50	184.072	161.873
Norway Krone	8	9.08352	8.01139
Spanish Peseta	-	145.891	128.557
Swedish Krona	10.00	8.44103	7.44314
[illegible] Franc	6.00	2.03260	1.79056
[illegible]	19	N/A	225.713
[illegible]	-	N/A	0.767738

OTHER CURRENCIES

[illegible]

Jul 31	£	$
Iran	112.00*	70.00*
Korea(Sth)	1206.85 - 1226.30	723.20 - 729.00
Kuwait	0.49240 - 0.49270	0.29185 - 0.29195
Luxembourg	60.50 - 60.60	35.90 - 36.00
Malaysia	4.6970 - 4.7050	2.7855 - 2.7875
Mexico	5080.25 - 5084.95	30[illegible] - 3016.00
N.Zealand	2.9495 - 2.9530	1.[illegible] - 1.7510
Saudi Ar	6.2735 - 6.3505	3.[illegible] - 3.7510
Singapore	2.9335 - 2.9405	1.7425 - 1.7445
S.Af (Cm)	4.8275 - 4.8390	2.8630 - 2.8645
S.Af (Fn)	5.4585 - 5.5475	3.2365 - 3.2895
Taiwan	45.35 - 45.45	26.90 - 26.95
U.A.E.	6.1425 - 6.2195	3.6715 - 3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 31	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.557	-3.80	5.31	66
Italian Lira	1538.24	1531.74	-0.42	1.74	26
Belgian Franc	42.4032	42.2860	-0.28	1.59	19
D-Mark	2.05586	2.05231	-0.17	1.49	18
Dutch Guilder	2.31643	2.31366	-0.12	1.43	11
Irish Punt	0.767417	0.767738	0.04	1.27	3
Sterling	0.696904	0.697596	0.10	1.21	-3
French Franc	6.89509	6.97951	1.22	0.09	-61
Danish Krone	7.84195	7.94485	1.31	0.00	-66

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTIONS ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
102	-	-	-	0.05	0.39	-
103	-	-	-	0.15	-	-
104	0.68	-	-	0.04	[illegible]	-
[illegible]	0.23	0.87	-	[illegible]	[illegible]	-
[illegible]	0.07	0.[illegible]	-	-	-	-
[illegible]	-	0.[illegible]	-	-	-	-
Open Int.	145,701	42,764	9,306	[illegible]	[illegible]	16,250

Estimated volume 27,399 Total Open Interest 345,605

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	[illegible]
1.6850	1.6775	[illegible]	1.6480	[illegible]

	Latest	[illegible]	Low	Prev.
Sep	1.6738	[illegible]	1.6710	1.6664
Dec	1.6560	[illegible]	[illegible]	1.6474
Mar	-	1.6420	-	1.6320

BASE LENDING RATES

	%
Adam & Company	11
Allied Trust Bank	11
AIB Bank	[illegible]
● Henry Ansbacher	11
B & C Merchant Bank	11
Bank of Baroda	11
Banco Bilbao Vizcaya	11
Bank of Cyprus	11
Bank of Ireland	11
Bank of India	11
Bank of Scotland	11
Banque Belge Ltd	11
Barclays Bank	11
Benchmark Bank	11.5
Brit Bk of Mid East	11
● Brown Shipley	11
CL Bank Nederland	11
Citibank NA	11
City Merchants Bank	11
Clydesdale Bank	11
Comm.Bk.of London Plc	11
Co-operative Bank	11
Coutts & Co	11
Cyprus Popular Bk	11
Dunbar Bank PLC	11
Duncan Lawrie	11
Equatorial Bank plc	11
Exeter Bank Limited	11½
Financial & Gen. Bank	[illegible]
First National Bank Plc.	14
● Robert Fleming & Co.	11
Robert Fraser & Ptrs.	11½
Girobank	11
● Guinness Mahon	11
● Hambros Bank	11
Hampshire Trust Plc	13.5
Heritable & Gen Inv Bnk.	11
● Hill Samuel	11
C. Hoare & Co.	11
Hongkong & Shanghai	11
● Leopold Joseph & Sons	11
Lloyds Bank	11
Meghraj Bank Ltd	11
McDonnell Douglas Bnk.	11
Midland Bank	11
[illegible] Banking	11
NatWestminster	11
Northern Bank Ltd	11
Nykredit Mortgage Bank	12
Provincial Bank PLC	[illegible]
Roxburghe Bank Ltd.	12.5
[illegible]	11
[illegible]	11
Standard Chartered	11
TSB	11
Unibank plc	11
● United Bk of Kuwait	11
Unity Trust Bank Plc	11
Western Trust	11
Westpac Bank Corp.	11
Whiteaway Laidlaw	11
Yorkshire Bank	11

● Members [illegible] British Merchant [illegible] Association.

MONEY MARKETS

London rates steady

Money market [illegible] broadly steady yesterday, although there were some signs of a slight easing in longer-dated rates in continuing reaction to the recent gloomy quarterly survey from the Confederation of British Industry.

The CBI survey, which was accompanied by a call for lower interest rates, has revived speculation about an [illegible] in [illegible] policy in the autumn. But [illegible] there [illegible] only be a more pronounced *easing in* money market [illegible] if [illegible] data [illegible] the CBI's belief [illegible] the UK remains firmly in [illegible].

[illegible] clearing bank base lending rate 11 per cent from July 12, 1991

Three-months inter-bank money was quoted [illegible] 11⅛-1/16 [illegible] against 11 1/16-¼ per [illegible] while six months was steady [illegible] 11-10⅞ per [illegible].

In the futures market, September short sterling [illegible] 89.21, [illegible] 3 [illegible] points, having spent much [illegible] the [illegible] in an extremely tight range. The [illegible] level [illegible] the September short sterling [illegible] *implies that* [illegible] futures market is not anticipating any reduction in interest rate before the end of that month.

The market was left short of liquidity again yesterday, although this was [illegible] due [illegible] on [illegible] Bank of England's behalf [illegible] buy bills from [illegible]. Instead, bill holders again seemed unwilling [illegible].

There are three reasons for this unusual development. The [illegible] the [illegible] Bank [illegible] and Credit International has made short-term government [illegible] attractive than putting money on short-term deposit.

Secondly, bank's liquidity [illegible] have changed and this [illegible] partly linked [illegible]. Thirdly, discount [illegible] and clearing banks [illegible] prefer [illegible] begining or the end of [illegible] end of the [illegible] part [illegible] bills.

Yesterday the [illegible] of England bought [illegible] £1.04bn of bills against [illegible] forecast liquidity shortage of [illegible].

In Frankfurt call money rates continued [illegible] firm [illegible] anticipation that the Bundesbank will tighten monetary policy in the [illegible] future. [illegible] Bundesbank's [illegible] operations also drove short-term [illegible] higher.

[illegible] Bundesbank left [illegible] market DM100m short [illegible] replaced an expiring [illegible] facility with DM49.7bn. [illegible] *allocated* [illegible] 34-day [illegible] mostly [illegible] per cent: and [illegible] of 62-day funds [illegible] 9 per [illegible].

FT LONDON INTERBANK FIXING

[illegible] July [illegible] 3 months US dollars		6 months US [illegible]	
bid	offer	bid	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

Prime rate	8½
Broker loan rate	7½
Fed.funds	5½
Fed.funds at intervention	-

Treasury Bills [illegible]

One month	5.20	Three year	7.17
Two month	5.63	Four year	7.33
Three month	5.70	Five year	7.77
Six month	5.92	Seven year	8.04
One year	6.18	10-year	8.18
Two year	6.82	30-year	8.36

July 31	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.00	8.85-9.00	8.90-9.05	9.05-9.20	9.30-9.45	9.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.25
Zurich	7¾-7⅞	7¾-7⅞	-	7¾-8	-	-
Amsterdam	8.93-9.06	9.04-9.12	-	9.22-9.30	-	-
Tokyo	7⅛-7¼	7⅛-7[illegible]	-	7⅛-7[illegible]	-	-
Milan	10½-11	11⅛-[illegible]	-	11⅛-12	-	-
Brussels	8.93-9.06	9[illegible]-9[illegible]	-	9½-9⅝	-	-
Dublin	9¾-10⅛	9⅞-10	10-10¼	10-10¼	10⅛-10½	-

LONDON MONEY RATES

Jul 31	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	11 1/16	11 1/16	11 1/16	[illegible]	10 13/16
Interbank Bid	11	11 1/16	11 1/16	11 1/16	10⅞	10 13/16
Sterling CDs	-	-	11 1/16	11 1/16	10 13/16	10 13/16
Local Authority Deps.	11¼	11¼	11 1/16	11 1/16	11	10 13/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11¼	11	10⅞	10⅞	-	-
Company Deposits	-	-	11⅛	11⅛	11 1/16	11
Finance House Deposits	-	-	11 1/16	11 1/16	10 15/16	10 13/16
Treasury Bills (Buy)	-	-	10⅞	10⅞	10⅞	-
Bank Bills (Buy)	-	-	10 13/16	10 13/16	10 13/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.92	6.02	6.27	6.50
SDR Linked Dep. Offer	-	-	7⅛	7⅛	7⅛	7⅝
SDR Linked Dep. Bid	-	-	7⅛	7⅛	7⅛	7⅛
ECU Linked Dep. Offer	-	-	9⅝	10 1/16	10 1/16	10 1/16
ECU Linked Dep. Bid	-	-	9⅝	9 15/16	10 1/16	10 1/16

Treasury Bills (sell): one-month 10⅝ per cent: three months 10 9/16 per cent; six months 10 per cent. Bank Bills (sell): one-month 10 11/16 per cent. Three months 10 11/16 per cent; Treasury Bills: [illegible] tender rate of discount 10.4456 p.c. ECGD Fixed Rate Sterling Export Finance. Make up [illegible] July 31, [illegible] [illegible] rates for period Aug 26 1991 to September 24 1991, Scheme I: 12.31 p.c., Schemes II & III, 12.38 p.c. Reference rate for period June 29 1991 to July 31, 1991, Scheme IV&V 11.138 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from July 1, 1991 Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6) Deposit £100,000 and over held under one month 7½ per cent; one-three months 10 per cent; three-six months 9½ per [illegible] six-nine months [illegible] per cent; nine-twelve months 9 per cent; Under £100,000 7½ per cent from July [illegible] 1991 [illegible] withdrawn for cash 5 per cent

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,609 Set by GRIFFIN

ACROSS

1 Leave pet I love in vehicle (8)
5 A table on a bus? (6)
9 BT building without a switch (8)
10 Spring turned cold back home [illegible]
12 Where the Parisian writer returned (5)
13 Which happen if policemen interrupt tennis game (9)
14 Managing with peg in gearwheel (6)
16 Make damp site repairs during day (7)
19 Said why person in club is potential killer (7)
21 Author with taste for verse (6)
23 Hospital attendants with degrees lie in (9)
25 Cancel a missing book (5)
26 Servant admitting male doctor's greed (6)
27 Ruined slope by parking in furrow (8)
28 Measure fifty grams then turn round (6)
29 Pass rocky dale in cape (8)

DOWN

1 Girl (4) raised capital (6)
2 Caught carelessly any pooch makes *disagreeable noise!* (9)
3 Hunt for bar after last act (5)
[illegible] Taking work in Gateshead, developing (7)
6 Bishop on verge [illegible] attack (9)
[illegible] Front cover article [illegible] golf instructor (5)
8 Starts dinner with [illegible] fancy sauce (8)
11 Floating matter in some sea, say (4)
15 Private [illegible] terms amended – ring in (9)
17 Spider found thanks to natural evolution (9)
18 [illegible] Ron back? Strange! (8)
20 Spruce cut to desired size (4)
21 Spend time on voyage (7)
22 Exalted man grabs behind! (6)
24 Fellow holding me up is ace (5)
25 Questioned, having sunbathed topless (5)

Solution to Puzzle No.7,608

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Prices data supplied by Telekurs.

CANADA

TORONTO

[illegible]

MONTREAL

3:00 pm prices July 31

[illegible]

INDICES

NEW YORK DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA TORONTO

[illegible]

TOKYO - Most Active Stocks

Wednesday 31 July [redacted]

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	11.2m	[illegible]	+1	Nippon Steel	5.5m	422	+2
Osaka Gas	8.2m	[illegible]	[illegible]	NKK	4.9m	375	-5
Nippon Carbon	6.7m	[illegible]	+64	Showa Shell S	4.7m	1,750	+90
Nippon Mining	6.6m	590	+34	Clarion	4.6m	1,180	+80
Mitsui Ship	5.7m	[illegible]	+30	Toray Industries	4.1m	858	+9

3:15 pm prices July 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30¾	24⅝	Briggs & S	[illegible]	0.04	13	228	36⅝	35¾	36⅛	+⅛
	43	36⅝ Brinkerind				606	41⅛	40⅞	40⅞	+⅛
64¾	61⅛	Bristol M	2.40	0.03	23	3879	64⅝	63¾	64⅛	+⅜
33¾	24½	Brit Airwy	2.10	[illegible]	12	330	29⅝	29⅛	29⅜	
[illegible]	39	Brit Gas	2.50	[illegible]	12	157	47½	47⅛	47⅜	
77½	63⅞	BP ADR	4.56	[illegible]	7	1061	70⅞	70⅛	70⅞	+⅛
32⅞	26⅜	BP Prudhoe	3.35	[illegible]	9	185	31⅛	31	31⅛	
8⅞	3½	BP Wts93				578	6	[illegible]	5	
27⅞	19⅞	Brit Steel x	2.14	0.10	11	1157	20½	[illegible]	20⅛	-½
69	51⅛	Brit Tel	3.24	0.05	11	2326	67⅛	[illegible]	66⅛	-1⅛
12⅝	4⅞	Broad Inc	0.20	0.02	8	306	10⅞	10½	10⅛	+⅛
30⅛	27½	BrkInPtd x				6	27⅞	27⅛	27⅞	-⅛
29⅝	27	Brooklyn U	[illegible]	[illegible]	13	70	28⅞	28⅛	28⅛	
64½	75	BrwnFormnB	[illegible]	[illegible]	15	104	79½	77⅛	79½	+1½
28	21⅞	Brown Grp	[illegible]	[illegible]	16	157	25⅛	25	25⅛	+⅛
12⅝	7⅞	BrownShrp	[illegible]	[illegible]	2	27	8½	8½	8½	
30⅞	20⅞	Browning F	[illegible]	[illegible]	10	1113	27⅛	26⅝	26⅝	-⅛
4⅛	2⅛	BRT			0	72	2⅛	2⅞	2⅞	-⅛
16⅞	8⅞	Brunswick	0.44	[illegible]	6	3319	15½	14⅞	15⅛	+⅛
20	14⅛	Brush Well	0.72	[illegible]	22	37	17⅛	16⅞	17⅛	
27½	23⅞	Buckeye Pt	2.60	0.10	9	25	27	26⅞	27	+⅛
15⅞	13	Bunker Hill	1.87	0.12	0	6	15⅛	15⅛	15⅛	-⅛
13⅝	10⅛	Burger K I	[illegible]	0.14	12	30	11⅞	11⅞	11⅞	
15⅛	8⅛	Burl Coat			13	7	13⅞	13⅞	14	+⅛
35⅛	26⅛	Burl North	1.20	0.04	6	1261	30½	29⅞	29⅞	
41⅞	32⅞	Burln Resc	0.70	0.02	30	3873	41½	40½	41⅛	+1⅛
16	11⅛	Burnham Pt	1.36	0.09	44	108	14⅞	14⅞	14⅞	
[illegible]	⅛	Businessln			0	631	1	[illegible]	[illegible]	-⅛

- C -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	15	C & S/Sov	1.56	0.06	30	7658	27⅛	26⅞	27⅛	+⅛
[illegible]	20½	CBI Ind	0.48	0.01	17	180	u35⅞	35⅝	35⅝	-⅛
[illegible]	150⅛	CBS Inc	1.00	0.01	104	107	165⅞	164	165	+⅛
1	[illegible]	CCX Inc			0	21	[illegible]	[illegible]	[illegible]	
2½	⅞	CF Inc Us x	[illegible]	[illegible]	12	2	1⅛	1⅛	1⅛	+⅛
33	21	CMS Energy	0.48	[illegible]	23	125	22	21⅞	21⅞	-⅛
92½	62⅛	CNA Finl			12	53	79⅞	79⅛	79⅛	-1
90⅛	72	CPC Intl	2.20	[illegible]	17	716	87½	86⅞	87	+⅛

- D -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
78⅛	31½	Delta Air	1.20	0.02	9	1623	75⅛	74⅛	74⅞	+⅛
17½	3	Delta Wood	0.20	0.02	18	526	u17⅞	17⅛	17⅞	+⅛
1⅞	½	Deltona			0	50	1⅛	1⅛	1⅛	
46⅛	32⅞	Deluxe C P	[illegible]	[illegible]	20	657	[illegible]	44½	44⅛	-⅛
26⅛	24⅛	DetrEd2.28				4	[illegible]	25⅞	26	+⅛
31⅛	27⅞	DtEd2.75				4	[illegible]	30½	30	-⅛
31⅛	28⅛	DetrEd2.75				6	[illegible]	30⅛	30⅛	
100	73	DetrEd7.45				z100	84	84	83½	-1
87½	81½	DetrEd7.68				9	85	85	85	-1
102	87	DetrEd9.32				z100	u102	102	102	
105	104	DtEd9.72	2.26	0.02		z0	u105	105	95⅞	-9⅞
30½	25½	DetrEd	1.88	0.06	8	[illegible]	29⅛	29½	[illegible]	-⅛
28⅛	19⅞	Dexter Crp	0.88	0.04	16	[illegible]	21⅞	21½	[illegible]	+⅛
41⅛	28⅛	Diag Prods	0.32	0.01	25	[illegible]	36⅛	35⅞	36	
37⅛	34⅛	Dial CpArz	1.40	0.04	12	[illegible]	36⅛	35½	36	-⅛
18⅛	10⅞	Diam Rsh x	1.60	0.12	12	18	13⅞	13⅞	13⅞	
26½	18	Diamond Sh	0.52	0.02	6	1036	21⅛	20⅞	21	+⅛
4⅛	2⅛	Diana Corp			3	31	2⅛	d2⅛	2⅛	
44⅞	33⅛	Diebold	1.60	0.04	24	220	44⅛	42⅞	44⅛	+1⅛
21½	11⅞	Digital Cm			10	665	13⅞	13⅞	13⅞	+⅛
83	50⅞	Digital Eq			13	1718	68⅛	66⅛	66⅛	-⅛
131⅞	82½	Dillard Dp	0.20	0.00	24	628	129⅞	128⅛	128⅛	-⅛
6⅛	1½	Dime Sv NY			0	215	3⅛	3⅛	3⅛	-⅛
129⅛	93⅞	Disney Crp	0.70	0.00	23	1817	120⅞	119⅛	120⅛	+⅛
4⅛	1⅞	Diversif In			2	4	2⅞	2⅞	2⅞	
48⅛	44⅞	Dominion Res	3.44	0.07	11	1134	48⅛	48⅛	48⅞	-½
8⅞	7	Domtar Inc	0.25	0.03	2	30	7⅞	7½	7⅞	
40⅛	[illegible]	Donaldson	0.56	0.02	14	93	35⅞	35	35⅞	+⅛
51½	[illegible]	Donelley	1.00	0.02	17	1229	48⅛	[illegible]	48⅛	+⅛
43⅛	[illegible]	Dover Corp	0.80	0.02	18	333	38⅛	[illegible]	38⅛	+⅛
58	[illegible]	Dow Chem	2.60	0.05	10	3078	55⅞	[illegible]	55⅞	-⅛
30⅞	[illegible]	Dow Jones x	0.76	0.03	25	182	25⅞	[illegible]	25⅞	
18⅛	[illegible]	Downey S&L	0.32	0.02	5	13	15⅛	[illegible]	15⅞	
83⅛	[illegible]	DPL 7.375				z100	82⅞	[illegible]	82⅞	-⅛
27⅛	[illegible]	DQE	1.44	0.05	17	213	u27⅞	27	27⅞	+⅛
13⅛	9	Dravo Corp	0.62	0.05	14	315	10⅛	10⅛	10⅛	
28⅛	[illegible]	Dresser	0.80	0.03	19	5308	22⅞	21⅞	22⅞	+⅛
40	[illegible]	Dreyfus Co x	0.52	0.02	22	225	34	33⅞	33⅞	-⅛
9⅞	[illegible]	Drfus Fd S	0.71	0.07		264	u9⅞	9⅞	9⅞	
11⅛	[illegible]	Drfus Str G	1.08	0.10		141	u11⅞	11⅛	11⅞	-⅛
11	[illegible]	Drfus St M	0.78	0.07		318	10⅛	10⅞	[illegible]	
58⅛	[illegible]	Du Pont4.5				3	58⅛	56⅛	57	
30⅛	[illegible]	DukePower x	1.72	0.06	[illegible]	708	29⅞	29[illegible]	[illegible]	-⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

AMEX COMPOSITE PRICES

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	E	Sls 100s	High	Low	Close	Chng
60½	35¼	Xerox	3.00	0.05	10	8244	57¾	[illegible]	[illegible]	-1½
51	43¾	Xerox4.1				2	50¼	[illegible]	50	[illegible]
21¼	14½	Xtra 1.9				45	20½	[illegible]	[illegible]	[illegible]
24⅞	14¼	Xtra Cor	0.72	0.03	2	1 62	22½	22⅛	22⅛	[illegible]
24⅛	21⅛	Yankee	1.60	0.07	10	263	23	22⅝	22⅞	+⅛
1½	⅜	Zapata			0	140	⅞	⅞	⅞	
9⅞	6⅛	ZenithEl			2	247	6⅝	6⅞	6⅝	-⅛
18⅛	12	Zenin Nt	1.00	0.0	[illegible]	341	18⅛	17⅞	18	+⅛
6¼	4⅝	Zenix Inc	0.84	0.1		36	6	6⅜	6⅜	
15⅛	10⅞	Zero Corp	0.40	[illegible]	[illegible]	117	13⅞	13½	13⅞	-⅛
41⅝	29½	Zurn Ind	[illegible]	[illegible]	[illegible]	269	37⅝	36½	37⅛	+⅛
13¼	10¼	Zweig Fund	[illegible]	[illegible]		260	12¼	12⅛	12⅛	
10	8½	Zweig Total	[illegible]	[illegible]		302	9⅝	9¼	9⅝	+⅛

[illegible] data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect [illegible]us 52 weeks plus the current week, but not the [illegible]ng day. Where a split or stock dividend amounting [illegible]ent or more has been paid, the year's high-only [illegible] dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-divid[illegible] declared or paid this year, an accumulative issue with dividends in arrears. [illegible] issue in the past 52 weeks. The high-low range begins [illegible] start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividen[illegible] s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, [illegible] securities assumed [illegible] such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warr[illegible]. y-ex-dividend and [illegible] in full. yld-yield. z-sales in [illegible]

AMEX COMPOSITE PRICES

[illegible] pm prices July [illegible]

NASDAQ NATIONAL MARKET

[illegible] pm prices July 31

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		32	2747	25¼	24½	25½	
XL Data		21	1042	u10⅜	10	10¼	+¼
Xoma Corp		13	11058	26¼	25¼	25½	+½
Yellow Fr x	0.94	16	1228	30⅝	30⅜	30⅜	-⅛
York Rsch		5	3634	6⅛	5½	5⅞	
ZionsUtah	1.44	9	47	u45½	44	45	+½

WORLD STOCK MARKETS

AMERICA

Dow consolidates despite economic disappointment

Wall Street

SHARE prices held on to most of the [illegible] earned during Tuesday's buying [illegible] some mildly disappointing [illegible], *writes Patrick Harverson in [illegible]*.

By 1 pm the Dow Jones Industrial Average was down 1.56 [illegible] 3,014.76, having [illegible] opening [illegible] all morning. The [illegible] broadly based Standard & Poor's 500 [illegible] slightly weaker, [illegible] 0.05 at [illegible] at 1 pm, while the Nasdaq composite [illegible] over-the-counter [illegible] 1.36 to [illegible]. NYSE [illegible] was [illegible] by 1 pm.

Analysts had expected [illegible] period of consolidation after [illegible] 31-point jump in the Dow [illegible] Tuesday, and it [illegible] ment [illegible] the market's [illegible] that news of a 1.4 per cent fall in [illegible] factory [illegible] and a [illegible] purchasing managers' [illegible] not spark a [illegible].

Although the [illegible] remains poised between a stalled, and [illegible] the market will [illegible] sharply [illegible] one direction until [illegible] has seen [illegible] July employment report, due out tomorrow.

Steel stocks held steady after poor second quarter earnings data. USX-Steel rose $⅜ to $27, Bethlehem Steel added $⅛ at $17⅛ (buoyed by predictions of higher steel shipments in the third quarter), while LTV stood still at $1¼. USX-Marathon, the energy component of USX, slipped $⅛ to $25⅞.

Insurers stocks were in the spotlight after Travelers and US F&G reported quarterlies. US F&G firmed $⅛ to $7⅞ after revealing a $56m net loss, in line with expectations, while Travelers [illegible] to $19⅞ after reporting a decline in second quarter net income to 85 cents a share, which included a charge of 7 cents a share.

Duracell rose $⅝ to $23⅞ after announcing a net loss of $34.2m for the full fiscal year which ended on June 30. The loss was the result of extraordinary items related to the repurchase and refinancing of corporate debt.

On the over-the-counter market, newcomer Wellfleet Communications prospered. The stock was priced late on Tuesday at $17 when 3.5m shares were brought to the market, and by midsession yesterday was trading at $22¼ on turnover of 2.6m shares.

Leading Nasdaq issues enjoyed mixed fortunes, with Microsoft, which has been on a roller-coaster [illegible] in [illegible] days, [illegible] to $73¼ and Sun Microsystems gaining [illegible] to $30⅝, but Apple giving up [illegible] at $46 [illegible] US Healthcare dropping $1 to $31¼.

Canada

TORONTO stocks were lower at midday on moderate profit-taking in a number of blue chips. The composite index lost 12.0 to 3,537.4. Declines led advances by 216 to 159 on volume of 12m shares.

Inco, which has surged in recent weeks [illegible] higher [illegible] prices, fell [illegible] to C$41⅞ on volume of 110,000 shares.

PWA Corp fell C$⅝ to C$6⅞ on volume of 293,000 [illegible] after Wood Gundy crossed a block of 250,000 shares priced at C$7. PWA disappointed the market earlier this week with a second quarter loss of 75 cents per share versus a profit of 51 cents per share.

International Semi-Tech fell C$½ to C$13⅜. It expects its Singer sewing machine subsidiary to be listed on the NYSE by the end of next week.

Thailand shows fatigue after volatile July

Slowing earnings growth and high interest rates are a burden, says William Cochrane

THE Bangkok stock market is showing signs of reverting to its [illegible]ward trend after a volatile month of July. The SET index fell 6.4 per cent in the first week, 5.8 per cent in the second, and then recovered 14 per cent in the 12 days to Tuesday in a technical correction enhanced by rallies elsewhere in the Asia Pacific region.

Yesterday, however, its renaissance came to an abrupt halt, as the SET index lost 15.25 to 728.70 in turnover of Bt4.32bn, which compares with a five-month peak of [illegible] last Thursday and an average of Bt5.28bn last week.

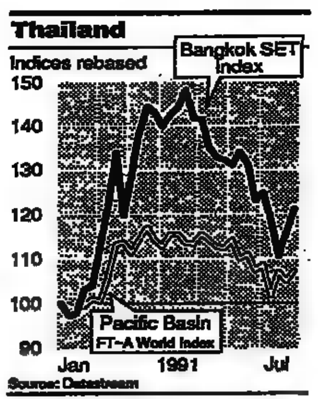
Mr David Bates, of the Thai-owned Asia Equity in London, says yesterday's setback coincides with the quarterly reporting season of a well-disciplined corporate sector. In all, 48 Thai companies produced second-quarter results yesterday after 20 on Tuesday, and on his estimate some 65 per cent of them showed a decline in earnings per share growth.

"There were still some great performances," he says. "CP Feedmills showed a 65 per cent jump in first-half profits; but there were also substantial profit falls, with The Nation, the [illegible] publishing group, down 38 per cent and Siam City Cement [one of the biggest blue chips] down 32 per cent."

Furthermore, he adds, some of the six new issues listed on the Bangkok Stock Exchange on Tuesday disappointed on their arrival. Traditionally, newcomers are priced at a substantial discount; but this time Bangkok Steel, priced at Bt85, opened at Bt75.

Mr Bates observes that the market's recent performance is only a further demonstration of its "phenomenal" beta factor, or volatility. Bangkok advanced 41 per cent in the first quarter of this year, making it the second-best performing market in Asia; in the second quarter it fell 11 per cent.

Thailand



Source: Datastream

Earlier, the SET index more than doubled from 395.53 to 879.19 in 1989, going on to peak at 1,143.78 in July 1990 and dropping to 544.30 some four months later when Iraq invaded Kuwait.

Mr Chris Sherwell of Smith New Court sees what happened in the second half of July as a bear market rally. Thailand is looking at high interest rates, 16 per cent since the first week of July, and the prospect of them going even higher. The Bangkok equity market has responded with red ink since the last week in April.

Thailand has been powering along the economic fast track, with Gross National Product growth rising from 9.5 per cent in 1987, through 13 per cent in 1988 to 12 per cent in 1989. It still managed 10 per cent in a disturbed 1990. Mr Bates is expecting 8 per cent for 1991 – "and I would probably say 8.5 per cent for 1992".

However, Mr Sherwell expects that Thailand's current account deficit will hit an "unsustainable" 10 per cent of Gross Domestic Product in 1991. After five successive years of above-average growth and consequent inflationary pressure, he says, the measures needed to counter these problems are undermining market sentiment.

Tight [illegible] policy and higher interest rates have been slow to work. Foreigners have become more cautious, and while that initially meant a declining [illegible] of direct investment and a rise in the share of domestic speculative investment, the process has gone further. "Figures from the SET for the first five months of the year," says Mr Sherwell, "show a 70 per cent decline in foreign turnover."

On a one-year view he [illegible] not expect Thailand's [illegible]nomic growth rate to solve its deficit problem. So on this basis, and on corporate performance, Bangkok could be destined for another period of underperformance.

[illegible] PACIFIC

Nikkei extends gains to rise above 24,000

Tokyo

SHARE prices extended their gains yesterday, pushed up by arbitrage-related trading. The Nikkei average closed above 24,000 for the first time since July 1, *writes Emiko Terazono in Tokyo*.

The 225-issue index, which gained 1.8 per cent on Tuesday, [illegible] up [illegible] 24,120.75. The index opened at the day's low of 23,905.43 and reached [illegible] high [illegible] on index-linked buying.

Volume expanded to 330m shares from 280m, exceeding the 300m level for the first time in 16 trading days. Advances outnumbered declines by 601 to 309, with 213 issues unchanged. The Topix index of all first section stocks climbed 12.14 to 1,859.12, but in London the ISE/Nikkei 50 index eased 1.86 to 1,423.15.

Strong futures prompted arbitrage-related buying. Traders said the leading Japanese brokerages were promoting futures trading to clients instead of cash stocks. Heavy index-related buying by investment trusts was noted.

The Tokyo Stock Exchange announced arbitrage positions for last week. Arbitrageurs held shares amounting to Y1,210bn against September futures contracts as of July 26, an increase of Y94.2bn. Morgan Stanley was the most active brokerage house during the week of July 22-26, trading 30.1m shares, or 31.7 per cent of total arbitrage transactions. It was followed by Nikko Securities and Salomon Brothers Asia.

Securities companies continued to rally as investors believed the issues to be oversold. Nomura Securities, which has fallen more than 20 per cent since the revelation of client compensation in June, put on Y50 to Y1,850, while Nikko gained Y49 to Y990.

Interest rate-sensitive large-capital issues were stronger on foreign buying. Mitsui Shipbuilding rose Y23 to Y587.

Cement issues advanced on reports of growing demand for cement in China and South Korea, with Nihon [illegible] adding Y8 at Y943. Sumitomo Cement rose Y16 to Y665 on forecasts of a 50 per cent jump in operating profits to Y11bn for the current year.

Toray, the synthetic fibre maker, moved up Y9 to Y658 on buying by foreign investors. Foreigners also sought international [illegible] chips such as Sony, up Y160 to Y6,260, and TDK, Y100 higher at Y6,140.

Bridgestone, the [illegible] maker, slipped Y20 to Y1,050 on a [illegible] revision of its consolidated earnings forecasts. The company said pre-tax profits would fall 20.7 per cent to Y50bn after a rise in retirement payments resulting from staff cuts.

In Osaka, the OSE average appreciated 135.25 to 26,463.58 on volume of 20.3m shares. Investors focused on companies backed by strong earnings projections. Dai-Dan, the engineering group, rose Y100 to Y4,560 on bargain hunting.

Roundup

WALL Street's overnight gains had little effect on the Pacific Rim markets yesterday.

SEOUL fell 2.4 per cent on institution-led selling, ending four days of gains. Dealers had been expecting a technical correction. There were also reports that the Finance Ministry had requested securities houses to sell a portion of their holdings to cool the overheated market. The Finance Ministry denied the reports. The composite index shed 17.45 to 717.03 in Won843.6bn volume.

NEW ZEALAND expressed cautious approval of Tuesday's budget, which proposed drastic spending cuts but also measures to tighten company tax laws. The NZSE-40 index closed 9.71 higher at 1,473.06 but after sharply reduced turnover of NZ$9.7m (NZ$46.6m).

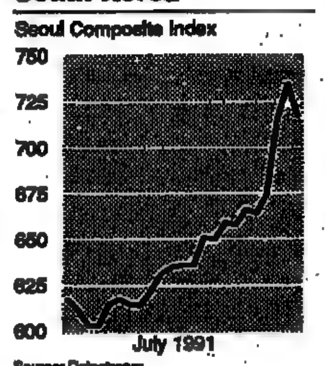
AUSTRALIA recouped most of an early drop triggered by a weak futures market. The All Ordinaries index finished at 1,572.4, down 1.8, after turnover of A$193m (A$223m).

TNT receded 3 cents to 82 cents on profit-taking following its recent sharp rise.

HONG KONG ended higher after a volatile day. The Hang Seng index added 17.75 at 4,009.58 in turnover of HK$1.4bn, after Tuesday's HK$1.3bn.

The property sector was depressed by talk that banks would tighten their mortgage policies to dampen any speculation on future sales of major residential developments.

South Korea



Source: Datastream

MANILA was concerned about the possibility of higher interest rates. The government's decision to lift a travel ban against former First Lady Imelda Marcos and her family came after the close and could weigh on trading today. The composite index dipped 4.57 to 1,017.15 in turnover of 102.6m pesos, after 120.3m.

KUALA LUMPUR ignored gains on Wall Street and in Tokyo and ended virtually unchanged. The composite index edged up 0.26 to 602.82.

Plantation issues continued to be weighed down by reports that US soyabean growers could displace Malaysian palm oil shipments to India. The sector index fell 12.33 to 1,079.84.

SINGAPORE ended down but off the day's lows. The Straits Times Industrial index lost a net 3.41 at 1,482.87 in turnover of S$93.10m, up from S$80.92m.

TAIWAN finished lower in moderate trading. The weighted index rose as high as 5,282 early in the day on a firm banking sector but late selling pushed it down to close 49.77 off at 5,178.06. Turnover came to T$29.92bn (T$26.96bn).

JAKARTA rose afresh on selective foreign buying but turnover was low. The index firmed 1.16 to 339.96 amid volume of 3.96m shares.

Kalbe Farma's underwriters made the most of the mildly bullish sentiment to give support to the issue on its second day of trading.

BOMBAY recovered from an early low to end mixed. The BSE index rallied from 1,605.79 to 1,632.67, off 14.38 on the day.

SOUTH AFRICA

INDUSTRIAL [illegible] led Johannesburg higher despite a recovery in the financial rand. The industrial index jumped 44 to a new high of 4,085 while the all-gold index closed 28 higher at 1,327. The all-share index rose 35 to 3,491.

EUROPE

German banks continue their return to favour

GERMANY's banks continued their return to favour yesterday, but their counterparts elsewhere in Europe seemed mostly unwilling to go along, *writes Our Markets Staff*.

FRANKFURT concentrated on banks for the third day in succession as first-half results appeared from Dresdner, and in anticipation of a good performance from Deutsche Bank when it produces its interim report today.

The Bavarian banks continued to gain on the results from Bayernverein, which led the season and rose another DM3.50 to DM404 for a three day gain of DM23.50. Commerzbank, which showed an 18 per cent rise in partial operating profits last Friday, put on DM6.50 to DM252; and Deutsche, expected to show a 16 to 17 per cent profits gain, closed DM7 higher at DM633.80.

Dresdner ended only DM1 higher at DM358.50. Mr Ian McEwen, a banking analyst at Flemings Research, said that it had underperformed the rest of the sector with a 12 per cent rise in partial operating profit; it had also said that it would only produce a 7 per cent gain in total operating profit, whereas [illegible] banking groups [illegible] doing [illegible] that level.

The DAX [illegible] rose [illegible] 1,622.31 [illegible] in [illegible] FAZ at midsession. Volume [illegible] from DM3.6bn to DM4.7bn.

Allianz, with its [illegible] 23 per cent, ended [illegible] lower [illegible] DM2,160. Analysts [illegible] unwilling [illegible] the [illegible] price [illegible] in [illegible] to [illegible] crossholdings, although Dresdner said [illegible] it viewed the Allianz holding as defensive. The insurer said on Tuesday that its second quarter earnings fell by 13 per cent.

AMSTERDAM saw activity in the second-liners. The CBS tendency index closed 0.3 down at [illegible].

The computer systems maker, HCS Technology, returned [illegible] a four-day suspension on [illegible] of the company during which its main shareholders and leading bankers agreed to provide a capital injection. HCS shares tumbled to an intraday low of Fl 1.80 before closing Fl 1.40 lower at Fl 2.60. The price could bounce in the short term as dealers cover their large short positions.

Borsumij Wehry remained weak after Tuesday's heavy fall in response to a profit warning from the company. The stock fell Fl 1.20 to Fl 67.50. It seemed to have chart support at Fl67 but analysts were still wary about the fundamental outlook.

KNP fell Fl 1.10 to Fl 53.80. BZW has put the stock on its sell list because it is pessimistic about second half earnings; the interim report is due on August 16.

VMF Stork rose Fl 1.30 to Fl 45.10. In an interview with a Dutch newspaper the company chairman dismissed analysts' pessimistic earnings forecasts and said that order intake was higher in the first half of 1991 than in the year-ago period and that there would be further profit improvement in the whole of 1991.

PARIS was quiet for most of the day but then enjoyed a flurry of options-related activity in the [illegible] minutes [illegible] trading. [illegible] index ended [illegible] 1,754.73 in respectable volume [illegible] FFr2.04bn, [illegible] Tuesday's minimal FFr1.14bn.

Elf [illegible] was the day's [illegible] stock, rising [illegible] in heavy trading [illegible] shares, [illegible] it linked [illegible] expiry [illegible] options yesterday.

Peugeot continued [illegible] weak, falling FFr6 to FFr571 in 114,075 shares, on fears that its chairman might resign over his disagreement with the government over a proposed EC [illegible] on Japanese car imports.

OSLO got more support from Hafslund Nycomed, after [illegible] strong first half results. The all-share index rose 6.42 to 512.00 in turnover of NKr504m, and [illegible] A ended NKr6 higher at NKr212.

MILAN was encouraged by firmer foreign markets but trading was thin. The Comit index added 3.47 to 573.38 in volume estimated around Tuesday's L63bn.

The banking sector continued to feature. Banca Commerciale Italiana rose L55 to L4,880 while Banco di Napoli firmed L65 to L1,975, and reached L2,000 on after-hours news of a capital increase.

ZURICH moved quietly into today's holiday for Switzerland's 700th anniversary, the Crédit Suisse index closing 1.8 higher at 545.2. MADRID's general index eased 0.16 to 269.35 as a James Capel technical assessment described the market as generally oversold.

STOCKHOLM was underpinned by blue chips. The Affärsvärlden general index rose 6.4 [illegible] 1,116.6 in thin volume [illegible] SKr246m after SKr253m. HELSINKI registered [illegible] tenth [illegible] in [illegible] days, the HEX index rising 6.37 to 1,027.61 for a 5.2 per cent rise since July 17. ISTANBUL leapt 5.1 per cent after Mr Ekrem Pakdemirli, deputy prime minister in charge of the economy, said that it was time to buy shares. The index rose 148.50 to 3,041.44.

FT-SE [illegible] 100 - [illegible]

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 [illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1110.62	1110.34	1110.04

Day's [illegible] 1111.28 Day's Low [illegible]

Jul 30	Jul 29	Jul 26	[illegible] 25	Jul [illegible]
1107.96	1104.82	1105.03	1111.51	1113.02

Base value 1000 (30/10/90)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, [illegible] Co., [illegible] County [illegible] [illegible] in conjunction with the Institute [illegible] Actuaries and [illegible] Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY [illegible] 30 [illegible]								MONDAY JULY 29 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US [illegible] Index	Pound [illegible] Index	[illegible] Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	[illegible]	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	+0.2	5.09	147.24	130.36	128.58	134.19	126.09	148.17	112.74	147.50
Austria (20)	[illegible]	+0.2	[illegible]	[illegible]	[illegible]	159.31	+0.0	1.74	175.45	155.34	153.22	159.90	159.36	222.37	167.00	283.28
Belgium (49)	[illegible]	[illegible]	112.65	111.21	116.20	113.67	+0.3	5.19	127.33	112.74	111.18	116.04	113.36	151.20	121.73	159.94
Canada (115)	140.25	+0.4	123.73	122.16	127.63	116.94	+0.7	3.23	139.63	123.63	121.93	127.25	116.17	142.27	126.49	140.18
Denmark (37)	252.45	+0.1	222.72	219.90	229.75	232.36	+0.1	1.52	252.14	223.25	220.19	229.80	232.17	270.56	217.74	277.62
Finland (16)	99.60	+0.8	[illegible]	86.76	[illegible]	87.80	+0.5	2.74	98.86	87.53	86.33	90.10	87.32	125.15	90.00	138.04
France (110)	128.95	+0.0	[illegible]	[illegible]	[illegible]	120.46	−0.1	3.69	128.96	114.18	112.61	117.52	120.56	152.26	120.60	162.45
Germany (65)	106.44	+1.2	93.91	[illegible]	96.87	96.87	+1.0	2.32	105.19	93.14	91.87	95.87	95.87	125.35	102.03	144.63
Hong Kong (55)	167.45	−0.4	147.73	145.85	152.40	166.67	−0.3	4.16	168.05	148.79	146.75	153.16	167.24	168.75	119.62	142.75
Ireland (19)	154.76	+0.8	136.54	134.81	140.85	142.67	+0.8	3.50	153.51	135.92	134.06	139.91	141.47	182.48	132.88	186.05
Italy (77)	74.07	+0.3	65.35	64.52	67.41	72.36	+0.2	3.23	[illegible]	65.37	64.48	67.29	72.18	88.23	69.89	109.20
Japan (474)	131.30	+1.5	115.84	114.37	119.51	114.37	+1.2	0.74	[illegible]	114.58	[illegible]	[illegible]	[illegible]	146.97	118.35	145.96
Malaysia (68)	226.46	−0.9	199.79	197.25	206.09	243.06	−0.9	2.75	228.52	[illegible]	[illegible]	208.26	245.20	247.78	192.83	249.96
Mexico (16)	1121.70	−0.6	989.60	977.06	1020.84	3698.23	−0.6	[illegible]	[illegible]	[illegible]	[illegible]	1028.82	[illegible]	[illegible]	[illegible]	551.98
Netherland (31)	138.64	[illegible]	[illegible]	120.76	126.17	[illegible]	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	124.07	[illegible]	[illegible]	148.72
New Zealand (14)	48.44	+2.7	42.73	42.19	44.06	44.97	[illegible]	[illegible]	[illegible]	41.74	41.17	[illegible]	43.85	54.64	41.18	67.09
Norway (32)	194.81	+0.5	171.87	[illegible]	177.30	[illegible]	[illegible]	[illegible]	193.93	171.70	[illegible]	[illegible]	179.71	223.24	[illegible]	257.27
Singapore (38)	196.27	−0.5	[illegible]	[illegible]	[illegible]	[illegible]	−0.6	2.16	197.30	[illegible]	[illegible]	[illegible]	159.02	208.25	[illegible]	207.42
South Africa (61)	[illegible]	+4.1	212.94	210.24	[illegible]	172.97	−0.7	[illegible]	231.90	205.32	202.51	211.34	174.21	258.85	173.00	187.78
Spain (54)	[illegible]	+0.0	[illegible]	[illegible]	[illegible]	122.16	−0.1	4.42	[illegible]	130.33	[illegible]	134.15	122.27	171.12	[illegible]	179.28
Sweden (27)	189.76	+0.1	[illegible]	165.30	172.71	[illegible]	+0.1	[illegible]	189.60	[illegible]	[illegible]	172.61	178.17	204.12	[illegible]	233.96
Switzerland (58)	92.43	+0.5	[illegible]	80.51	84.13	[illegible]	+0.3	2.20	[illegible]	81.40	[illegible]	[illegible]	87.35	100.67	82.17	107.81
United Kingdom (240)	174.06	+0.4	[illegible]	151.60	158.40	[illegible]	+0.0	[illegible]	173.41	153.53	[illegible]	158.03	153.53	187.44	[illegible]	174.97
USA (526)	[illegible]	+1.0	[illegible]	[illegible]	142.52	[illegible]	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	158.24	[illegible]	143.51
Europe (835)	136.62	+0.4	[illegible]	119.01	[illegible]	[illegible]	+0.2	[illegible]	136.02	120.43	[illegible]	123.97	122.72	[illegible]	125.50	157.65
Nordic (112)	185.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+0.2	[illegible]	[illegible]	164.02	161.78	[illegible]	165.60	[illegible]	155.55	223.08
Pacific Basin (718)	132.67	+1.3	117.05	[illegible]	120.74	116.02	+1.1	[illegible]	130.93	[illegible]	[illegible]	119.33	114.79	145.92	[illegible]	[illegible]
Euro – Pacific (1553)	134.57	+1.0	118.72	117.21	[illegible]	119.61	+0.7	2.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	151.02
North America (641)	155.50	+0.9	137.18	135.46	141.54	153.92	+1.0	3.10	[illegible]	[illegible]	134.53	[illegible]	[illegible]	157.04	125.91	143.21
Europe Ex. UK (595)	114.45	+0.5	100.97	99.71	104.18	105.43	+0.4	[illegible]	[illegible]	[illegible]	99.47	103.81	105.02	129.80	[illegible]	145.62
Pacific Ex. Japan (244)	146.20	+0.1	[illegible]	127.37	[illegible]	[illegible]	−0.1	[illegible]	[illegible]	[illegible]	127.56	133.13	[illegible]	[illegible]	111.40	[illegible]
World Ex. US (1745)	[illegible]	+1.0	[illegible]	[illegible]	[illegible]	120.97	+0.7	2.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (2031)	[illegible]	+1.1	122.80	[illegible]	[illegible]	[illegible]	+0.9	2.32	[illegible]	121.94	[illegible]	125.53	128.81	145.77	120.06	144.70
World Ex. So. Af. (2210)	141.58	+1.0	124.91	123.34	128.86	131.84	+0.8	2.56	140.24	124.17	[illegible]	[illegible]	[illegible]	148.86	122.92	147.14
World Ex. Japan (1797)	149.37	+0.8	131.78	130.12	135.96	141.91	+0.6	3.43	148.23	131.24	129.45	135.11	141.06	152.83	126.69	149.59
The World Index (2271)	142.23	+1.0	125.48	123.90	129.45	132.19	+0.8	2.57	140.83	124.69	122.99	128.36	131.15	149.01	123.26	147.36

Constituent changes with effect 1/8/91: [illegible] La Henin (France) and Jacob (W. & R.)(Ireland). Latest prices were [illegible] for this [illegible]

FINANCIAL TIMES SURVEY

BUSINESS AIR TRAVEL

SECTION III

Thursday August 1 1991

Airlines compete for business travellers with a panoply of inducements – but passengers still face delays because of congestion. Many airports are reaching saturation point while air traffic control is in urgent need of modernisation and investment. Paul Betts reports

Slump boosts competition

THE airline industry is still [redacted] to [redacted] from one [redacted] downturns in [redacted] highly cyclical history. The Gulf [redacted], combined with the [redacted] recession, has had [redacted] devastating impact on air travel and [redacted] airline balance sheets.

International [redacted] traffic fell by [redacted] per [redacted] during the first five months of this [redacted] compared with the same period [redacted] At the height of the Gulf war it was down by as [redacted] as [redacted] per [redacted]

The past [redacted] improvement, but traffic has [redacted] failed to rebound to [redacted] normal growth [redacted] and [redacted] industry [redacted] any significant pick-up until [redacted] this year or perhaps 1992. In April, [redacted] tional passenger [redacted] still [redacted] per cent below the levels of 1990; in May it was 5 per cent down.

The slump, coupled with increasing liberalisation [redacted] world air travel, has had the inevitable consequence of intensifying competition and accelerating the process of consolidation in the industry. "The industry will become even more competitive with the [redacted] and [redacted] carriers facing the stiffest challenges [redacted] in the marketplace," recently warned the [redacted] Air Transport Association (Iata), which [redacted] together 200 airlines.

[redacted] petition has [redacted] particularly [redacted] high-yielding [redacted] airlines [redacted] traditionally relied for a [redacted] slice of their income. Airlines have been fighting to attract businessmen with a panoply of [redacted]

They [redacted] been improving first class and [redacted] vices; [redacted] increasingly popular [redacted] cabins [redacted] more [redacted] and more leg room; renovating executive lounges [redacted] airports; offering bonuses on frequent flyer loyalty schemes and [redacted] trips [redacted] partners [redacted] with a full fare-paying passenger; providing greater choice of meals from haute cuisine to health [redacted] as well [redacted] limousine [redacted] helicopter services to and from airports; and in the case of one airline a [redacted] head [redacted] in [redacted] class.

On long distance routes, the [redacted] for [redacted] services has meant that [redacted] have been renewing their aircraft fleets with [redacted] long-range air[redacted] On short-haul routes, the trend [redacted] been [redacted] new wide body [redacted] to [redacted] growing congestion in [redacted] the ground. [redacted] number [redacted] airports [redacted] point [redacted] air [redacted] control, especially in Europe, [redacted] in urgent need [redacted] and [redacted]

Even in the current downturn, [redacted] are [redacted] ing [redacted] congestion [redacted] busy airports [redacted] by inadequate infra[redacted]

The aircraft manufacturers and [redacted] repeatedly warned [redacted] infrastructure problems are resolved, the eventual recovery in air travel could be seriously undermined. Several recent surveys have also shown that [redacted] punctual departures and arrivals as the single most important consideration when travelling, [redacted] the frequency of flights, the price of [redacted] fares, and rapid and efficient access [redacted] from airports.

[redacted] have become all the more important for the industry because [redacted] changing attitudes [redacted] business [redacted] "The Gulf [redacted] forced many [redacted] rethink [redacted] approach [redacted] taking the plane," explained Mr Gunter Eser, [redacted] director-general, [redacted] his organisation published [redacted] of business [redacted] in the wake of the Gulf war. The survey showed that about one third of the businessmen inter[redacted] of [redacted] had [redacted] their travel during the war, many by [redacted] least 50 per cent.

The main reasons for the cutbacks were the general economic situation, company policy to limit travel [redacted] the crisis and, particularly in Europe, reduced tr[redacted] budgets.

"There [redacted] worrying news [redacted] for the airlines," Mr [redacted] said. "Economic [redacted] ations were a major [redacted] in determining whether these people [redacted] plane, and the outlook [redacted] good in some key countries – [redacted] ada and the UK, for example – in [redacted] term."

The Iata survey also revealed [redacted] about [redacted] per cent [redacted] businessmen [redacted] no real [redacted] air travel. This implied that 25 per cent believed there was a substitute. Indeed, a large number of [redacted] interviewed [redacted] that [redacted] telephone [redacted] fax could provide [redacted] possible [redacted] for air travel. In Europe, airlines have also [redacted] to [redacted] competition on short-haul [redacted] from new high-speed rail links.

Pressure [redacted] travel budgets has seen a large proportion of businessmen trying to reduce overall travelling costs by trading [redacted] their [redacted] Those who would usually [redacted] first [redacted] are now opting [redacted] business class, while [redacted] shorter [redacted] many [redacted] class [redacted] are moving down the [redacted] British Airways [redacted] mium cabins such as [redacted] business class continued [redacted] show the [redacted] in [redacted] senger volumes.

In contrast, [redacted] back end of the aircraft were now holding up quite well. But [redacted] for airlines [redacted] yields in [redacted] omy were extremely low, especially with the increase in competition [redacted] the heavy discounting on some [redacted] routes with the [redacted] of new [redacted] and greater [redacted] in [redacted] travel.

This has been the case on the North Atlantic in particular, following the British government's decision to increase competition [redacted] London's Heathrow airport – the world's busi[redacted] in terms of international passenger volumes – and the new, more liberal, bilateral aviation agreement between the UK and the US.

Bilateral aviation agreements are expected to become increasingly liberal and are likely to be replaced eventually by multilateral agreements between large trading blocks. There are already indications that the European Commission will assume at some stage an active role in multilateral negotiations on future air [redacted] with the US [redacted] Japan as part of the process of establishing a [redacted] market for European air transport.

Europ[redacted] airline liberalisation is entering its final phase with [redacted] third package [redacted] aimed at opening up European skies by January 1993. This is ultimately expec[redacted] introduce [redacted] compe[redacted] in European [redacted] But as [redacted] Michael Bishop, chairman of British Midland Airways, [redacted] UK airline, recently warned, many [redacted] cles still remain in the [redacted] further liberalisation of Euro[redacted] air [redacted], including [redacted] difficulty for new entrants [redacted] penetrate [redacted] market because [redacted] landing slots [redacted] congested airports.

A report [redacted] air [redacted] in Europe published by [redacted] claims that businesses [redacted] paying up to 30 [redacted] too much for their air [redacted] in Europe because [redacted] The report [redacted] business [redacted] on [redacted] now fairly well [redacted] travelling from Heathrow [redacted] New York, for example, [redacted] choose from the regular [redacted] vices of four carriers.

"Each of those airlines has to fight tooth and nail for their custom through highly competitive [redacted] by all types of service inducements," it says. In contrast, 12 of the 15 busiest routes from Heathrow to Europe [redacted] operated by just two airlines, the national flag carriers of the [redacted] countries concerned. In most cases, these carriers provide nearly identi[redacted] and identical [redacted] air [redacted]

Airlines have been renewing their aircraft fleets [redacted] new long-range [redacted]. Boeing's latest jumbo: the 747-400

Glyn Genin

IN THIS SURVEY

[redacted] production: Phil Sanders

BUSINESS AIR TRAVEL 2

Paul Betts reports on a fierce transatlantic struggle

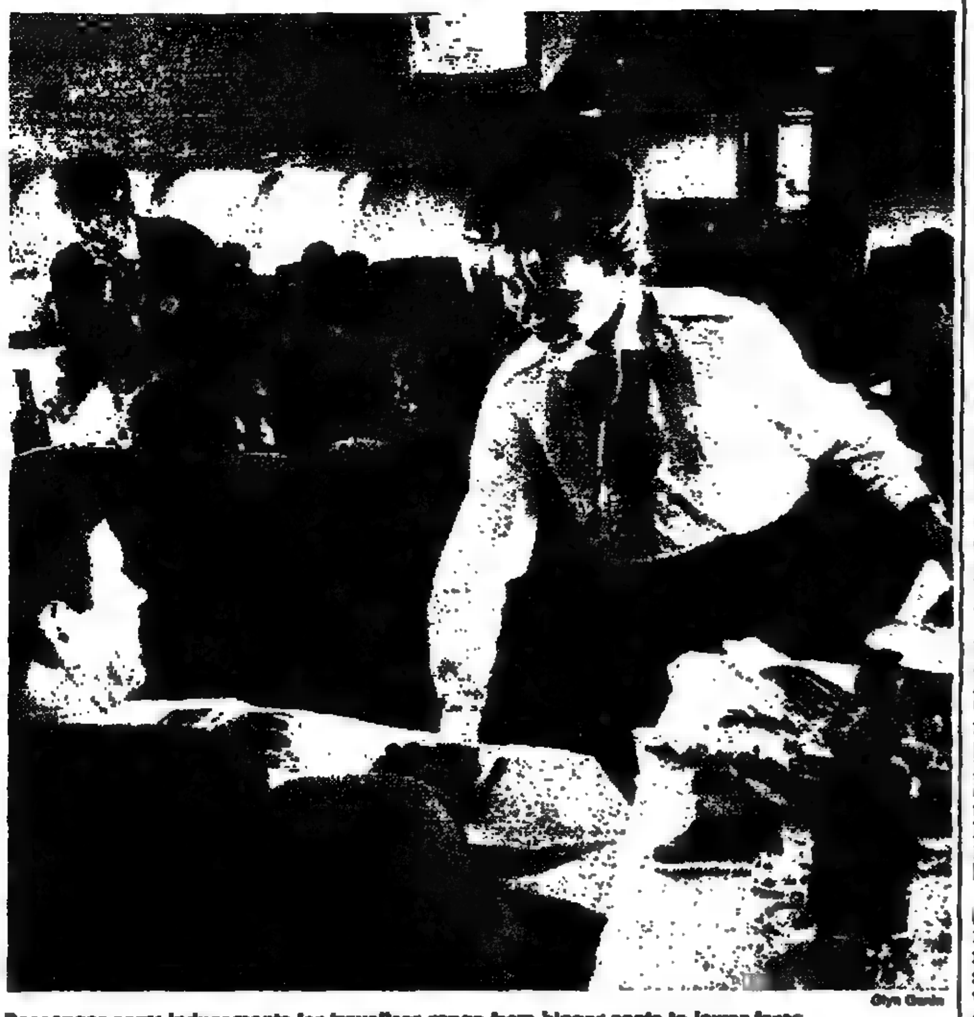
Battle for passengers

A BATTLE ROYAL is being engaged over the North Atlantic. Since the beginning of the current summer air travel season, carriers on both [redacted] the Atlantic have been waging a fierce war to win passengers and market share in one of the potentially [redacted] lucrative [redacted]tors of the world airline market.

Increasingly liberal bilateral aviation agreements between the US and European [redacted] and the British government's recent decision to abolish old rules restricting access to London's Heathrow airport – the world's busiest [redacted] passenger airport – [redacted] helped unleash a new era of competition on [redacted].

Airlines have been multiplying special [redacted] and other [redacted] in [redacted] blitz [redacted] newspaper advertisements and television [redacted]cials to attra[redacted] carriers have [redacted] market, [redacted] others have expanded their services and opened new routes.

The slump in air travel caused by the the Gulf crisis coupled with [redacted] economic [redacted] intensified competition, especially [redacted] high fare-paying first class and business class passengers. But the underlying reason for the new [redacted] competition [redacted] the transatlantic market is the air transport liberalisation process which [redacted] taking place [redacted] both [redacted] ocean.



Passenger care: inducements for travellers range from bigger seats to lower fares

The [redacted] lead 10 years ago by deregulating its domestic market, which [redacted] for [redacted] 40 per [redacted] air travel. It is [redacted] carrying [redacted] process [redacted] in [redacted] international market. "The US will [redacted] work to deregulate international aviation markets and push [redacted] open to free and unfettered competition for air transport around [redacted] world," Mr Samuel Skinner, the US transport secretary, recently said in [redacted] speech in London.

Mr Skinner [redacted] said this would inevitably lead, over time, [redacted] globalisation of [redacted] companies similar to [redacted] already affected many [redacted] important industries. Moreover, the US airline industry, currently undergoing [redacted] new phase of consolidation, [redacted] increasingly looking [redacted] international [redacted]kets, and especially [redacted] the European market, for future growth.

During [redacted] few years, US carriers have been expanding rapidly into the European market. The move [redacted] only their efforts to seek new long-term growth opportunities but also to position [redacted] for the liberalisation of the European Community air transport market [redacted] year. [redacted] drive into Europe [redacted] led by a new breed [redacted] giant US carriers such as American Airlines and United Airlines which [redacted] a result [redacted] deregulation [redacted] US market at [redacted] of weaker airlines.

Barely [redacted] years ago, American Airlines did [redacted] operate a single service across the Atlantic. Since then, it [redacted] built [redacted] an extensive network [redacted] US hubs to [redacted] leading European cities. United expanded into Europe even later.

With the acquisition of Pan American's London routes last year [redacted] $290m, United has [redacted] emerged as a leading [redacted] on the transatlantic market. American [redacted] by acquiring some [redacted] London [redacted] for [redacted]. Other airlines [redacted], Northwest, [redacted] Continental [redacted] been expanding [redacted] European [redacted].

In turn, European carriers have also been seeking [redacted] increase their penetration [redacted] the US [redacted] by either negotiating new co-operation agreements with US airline partners or, in some cases, acquiring direct [redacted] in US carriers. Indeed, European airlines have been [redacted] the [redacted] authorities to relax [redacted] on foreign ownership of US airlines to enable them to forge broader [redacted] with US carriers.

> **After long [redacted] difficult negotiations, the two governments finally agreed on a compromise**

[redacted] present, foreign carriers can acquire up to 49 per cent of the shares in [redacted] US carrier but only [redacted] cent [redacted] voting stock. But Mr [redacted] said the [redacted] Administration would support a change [redacted] the law to allow foreign investors to acquire up to [redacted] per cent of the voting [redacted] of [redacted] airline [redacted].

The UK government's [redacted] most [redacted] London air [redacted] distribution rules, and the renegotiation [redacted] a new bilateral [redacted]ment between [redacted] and [redacted] US, have also played a significant role [redacted] intensifying [redacted]atlantic competition.

Mr [redacted], the UK transport minister, has [redacted] opened [redacted] London's Heathrow airport [redacted] all carriers. [redacted] 1977, [redacted] entrants had [redacted] prohibited from flying in or out of Heathrow. The [redacted] was originally designed [redacted] greater use of Gatwick, [redacted]'s [redacted] airport, [redacted] congestion. [redacted] clearly [redacted] the [redacted] "open skies" policy and undermine [redacted] government's efforts [redacted] promote a multi-airline industry in [redacted] UK.

The UK government's [redacted]sion [redacted] applauded by [redacted] Richard Branson, owner of Virgin Atlantic Airways, the fledgling UK long-haul carrier. "This [redacted] an incredible [redacted] for airline competition", Mr Branson [redacted] when he [redacted] the news that the [redacted] restrictions had been scrapped. Not surprisingly, British Airways was unhappy by the decision to allow new [redacted] the airline's [redacted].

Virgin Atlantic, [redacted] had been [redacted] until this [redacted] to [redacted] of Gatwick, [redacted] new transatlan[redacted] from [redacted] New York and Los Angeles and intends to expand [redacted] Heathrow [redacted] during [redacted].

At the [redacted], the UK government's [redacted] the way [redacted] and United [redacted] operating services to Heath[redacted]. Even though the [redacted] carriers had acquired the Pan Am [redacted] routes in multi-million [redacted] deals, they [redacted] still barred from flying into London's leading [redacted] the [redacted] regulations.

The rights for [redacted] and [redacted] to replace Pan [redacted] and TWA [redacted] also at the centre of the renegotiations [redacted] UK-US bilateral [redacted] service agreement. [redacted]. After [redacted] and difficult negotiations, [redacted] two governments finally agreed earlier this [redacted] whereby [redacted] allowed American and United to replace TWA and Pan Am at [redacted] in [redacted] Washington granting greater [redacted] for UK carriers [redacted] the US [redacted].

Although [redacted] on [redacted] the new US-UK [redacted] agreement, Mr Skinner believed [redacted] new pact broke fresh ground.

"In the Heathrow agreement, we made available the so-called [redacted] UK airlines. [redacted] means, [redacted] example, is that BA would be able to fly between Germany and [redacted] US without having [redacted] stop [redacted] London [redacted] more traditional rules require," he said. A UK carrier could [redacted] also purchase [redacted] significant stake in a German carrier and operate [redacted] as [redacted] German-designated carrier without provoking [redacted] complaints [redacted] the US.

But the main point, Mr Skinner emphasised, [redacted] taking on a new [redacted].

"We are moving [redacted] stripping away the artificial constraints of bilateral agreements and allowing airlines on [redacted] at least to exploit the true eco[redacted] of the transatlantic [redacted] in a [redacted] more [redacted] agreement [redacted] from the [redacted] multilateral one," he added.

Mr Karel van [redacted], the European Commissioner [redacted] transport, [redacted] in favour of a [redacted] system [redacted] negotiating future aviation [redacted] Europe [redacted] US [redacted] the EC now merging [redacted]. This is likely to be one of the [redacted] important long-term developments in [redacted] alising [redacted] air [redacted]vices and moving closer to real "[redacted] skies".

In turn, [redacted] inevitably intensify competition [redacted] more in this important market. To a large extent, the dog [redacted] over the Atlantic has only just begun.

EC airlines are fighting for traffic, writes **Michael Donne**

Competition gets tougher

THROUGHOUT [redacted] Europe, the major airlines, including [redacted] major trunk [redacted]riers and the smaller regional airlines, remain deeply concerned about their sagging revenues in the wake of the continued economic recession and the impact of terrorist fears generated by the Gulf War.

With traffic down by more than 25 per cent and load-factors – the percentage of seats sold – reaching an all-time low of 35 per cent on some intra-European scheduled routes, the airlines collectively have had their worst winter and spring on record.

The recovery, although now undeniably in progress, continues to be slow. According to the Association of European Airlines (AEA), which represents 22 of the major European carriers, it will take the airlines some time – possibly not until later next year – to fully restore their position.

The AEA points out, [redacted] example, that [redacted] collectively lost more than $100m in the first week alone of the Gulf fighting [redacted] more than $2.5bn so far this [redacted]. It [redacted] estimated by [redacted] International Air Transport [redacted] (Iata) [redacted] collective losses for its own 200 airline members of some $2bn in 1990 will rise to some $4bn in [redacted] current year.

Even the biggest and stron[redacted] operators are suffering – the recent 1990-91 annual report [redacted] Airways showed that in Europe as a whole (including UK domestic operations), on revenues of over £1.9bn there was [redacted] deficit of £34m [redacted] group revenues of more than £4.9bn produced a surplus of £167m.

In-flight meals are being offered on shorter journeys

[redacted] the long-term potential for revenue – and hopefully profit – is considerable, with air passenger numbers expected to double over the next [redacted]. A [redacted] white paper produced by the AEA on "Air Transport and the Internal Market" showed that in 1989 the total value of output of the air [redacted] in the European Community was some Ecu42bn or 1 per cent of [redacted] aggregate Gross Domestic Product of the EC. The sector [redacted] employing 320,000 personnel, excluding those [redacted] at airports, in air traffic con[redacted] and in other [redacted] outside the airlines themselves.

[redacted] the [redacted] outlook may be brighter, competi[redacted] is tough and getting tougher with more than 160 [redacted] in the EC fighting for [redacted] available traffic let alone those from countries outside the Community. The AEA's 22 [redacted] account for more than two thirds of the passengers carried.

The [redacted] trunk airlines especially want to see [redacted] of the higher-fare business travel[redacted] desks, [redacted] they are luring them [redacted] all kinds of inducements.

The most widely-publicised [redacted] increased [redacted] meals [redacted] on short [redacted] desks and executive lounges: overall it can fairly be [redacted] that most airlines are upgrading their standards of passenger care.

But [redacted] they still do not seem to be able to offer is what [redacted] travellers and their employers would [redacted] like to see: [redacted]. [redacted] frequent promises of such an improvement to come as a result of the increased competition expected to emerge from the progressive but still slow deregulation and liberalisation of European air [redacted] 1993 [redacted] European [redacted].

Where [redacted] are concerned, the airlines face considerable difficulty. While they do trim fares from time to time, [redacted] the [redacted] that [redacted] to see [redacted] likely to emerge for some time to come, if at all.

This is because although the [redacted] productivity (in [redacted] of revenue tonne-kilometres [redacted] has been rising [redacted] an [redacted] yearly [redacted] per cent during the past 10 years, the air[redacted] remain relatively high due to many factors outside [redacted] control.

[redacted] prices (although [redacted] now fallen back sharply from [redacted] late last year as a result of the Gulf crisis), airport landing and handling charges, air traf[redacted] security charges, [redacted] incurred through [redacted] congestion in the air and on the ground [redacted] to inadequate infrastructure facilities such as terminal buildings, [redacted] air traffic [redacted].

Coping with all [redacted] problems in the period immediately ahead will be among the air[redacted] major tasks. But the situ[redacted] will [redacted] more difficult by the [redacted] for [redacted] big economic restructuring [redacted] air [redacted] industry itself to help it meet the fiercer competitive conditions not only inside the single European market but [redacted] the big US carri[redacted] it.

The Channel Tunnel, with [redacted] accompanying high-speed rail networks throughout [redacted] will [redacted] competitive factor – the [redacted] has estimated that 110 existing international "city-pair" air routes in the EC will be affected by high-speed trains, with almost 20 per cent of the air traffic on [redacted] routes being diverted.

One result seems likely to be the emergence [redacted] larger groups of individual airlines, either through mergers or inter-airline liaisons, some of which, such as British Airways link with [redacted] of [redacted] are already under discussion.

It remains to be seen how far the EC itself will permit such concentrations at a time when its overall air transport policy is dedicated to increasing competition.

Moreover, many commercial organisations have discovered that more business can be conducted without travelling, by making more use of faxing and teleconferencing, resulting in severe and perhaps permanent reductions in travel budgets.

At the same time, various [redacted] EC measures now under consideration such [redacted] the imposition of VAT on airline tickets and the abolition of [redacted] travel duty-free sales threaten to cost the European airlines directly some $1.7bn in [redacted] revenues annually. Such moves are being [redacted] strongly, but [redacted] people believe they will be imple[redacted] eventually. British Airways has estimated that VAT alone would add between 4 and 9 per [redacted] prices, while [redacted] of duty-free would cost some $700m. Such losses would have to be recompensed with higher, not lower, fares.

The battle for the business [redacted] of the future, therefore, [redacted] likely have to be fought with other [redacted] cheaper fares – [redacted] an ever-improving quality of passenger service.

Notwithstanding the problems of airport congestion, airlines [redacted] airport authorities will have [redacted] much more consideration than at present to speeding passenger flows on [redacted], with slicker and [redacted] passenger handling overall – too many flights are [redacted] departing because boarding [redacted] too [redacted] published departure times.

Every airline will have its own response to such problems but it seems likely that only those [redacted] paying most attention to the concept of higher quality [redacted] service will [redacted] in [redacted] fiercer [redacted] arena of the [redacted] years.

David Churchill on frequent flyer programmes

Bonuses for loyalty

THE ARRIVAL [redacted] new [redacted] competition in [redacted] of [redacted] and [redacted]can Airlines has [redacted] with it an [redacted] bonus for the [redacted] frequent flyer programmes.

This US [redacted] loyalty [redacted] – whereby [redacted] taken with a particular airline gains bonus points to be [redacted] for free leisure travel or other rewards – is emerging as a crucial [redacted] war between [redacted] carriers.

Even British Airways, which has traditionally eschewed fre[redacted] flyer programmes, has now been forced to join in the fray. Its Air Miles [redacted] promotion, set up in 1988 to fill empty airline seats by persuading high street retailers to use the lure of free travel as a sales promotion, has now been extended to meet the challenge from US carriers.

"The success of Air Miles as a consumer incentive prompted us [redacted] develop a scheme that would reward our most valued customer, the frequent traveller," says Mr Liam Strong, BA's director of marketing and operations.

The BA programme, called Latitudes, is aimed primarily at the business traveller rather than leisure flyer, since points are [redacted] only [redacted] full-[redacted] tickets in all classes and not on Apex or other [redacted]udget tickets. Points – which are equivalent to air miles – are given according [redacted] of [redacted] bought. Thus [redacted] only qualify for 20 air miles and Club Europe [redacted] Club World generates 150 [redacted] First Class produces 225 miles.

A return economy [redacted] Paris, for example, costs some 450 air miles but 6,800 air miles are needed for a return ticket to New York.

BA has also linked up with other suppliers, including Hertz car rentals and some airport parki[redacted]ices, to offer extra air [redacted]. In addition, booking a flight through a NatWest Access, Visa, or Gold Mastercard gains an extra mile for every £10 spent.

So far about 100,000 frequent flyers have signed up with BA, and up to 500,000 are expected by the spring of next year.

BA's reluctance in the past to get involved with frequent flyer programmes is partly due to the experience of US airlines in recent years. The American [redacted] flying in much [redacted] way as Europeans would catch a bus or a train; thus it [redacted] relatively [redacted] Americans to [redacted] up frequent flyer points. One [redacted] more than 14m [redacted] an aggregate of 700bn miles owing in various programmes.

One [redacted] couple accumu[redacted] 1.1m [redacted] on pro[redacted] by Eastern [redacted] Continental [redacted]: [redacted] exchanged [redacted] week world trip on Concorde.

The weakness in the concept gradually dawned on the airlines: in the rush to [redacted] business [redacted] the de-regulation of the American airline industry, they made it too easy to clock up travel points. This, [redacted] surprisingly, led to the somewhat ludicrous position of some aircraft flying with only handfuls of fare-paying passengers, [redacted] the [redacted] flying [redacted] accumulated points. The shake-up [redacted] the American domestic airline business over the past 18 months was partly the result of this simple question of economics.

But it is not only the airlines which have come to regret the [redacted] frequent flyer [redacted]. Many business travel managers in the US are questioning the benefit of such schemes. They reason that the true cost of paying for all those free-flying passengers is higher fares [redacted] their travelling employees.

Moreover, many companies still have problems deciding whether or not to allow the individual executive to keep the [redacted] flyer points when travelling on business – as a sort of management "perk" – or w[redacted] should be used by the company to enable other staff members to [redacted] thus reduce travel costs.

Yet such is the popularity of frequent flyer programmes [redacted]th the travelling American public, that scrapping such schemes would prove difficult to achieve, however much the airlines would like to offload the burden. Some airlines have sought to soak up some of the outstanding points by allowing them to be used as part-payment for cars and other consumer goods. But it is "free" flying that most travellers seem to want.

The lessons of the US is one reason why BA is firmly limiting its frequent flyer pro[redacted] full-fare paying pas[redacted] Mr Richard Branson's Virgin Atlantic airline, [redacted] over, is concentrating [redacted] rewards programme for frequent flyers on [redacted] rewards. "We don't have the problem [redacted] needing to fill empty seats," says Mr Steve Ridgway, managing director of Virgin's Freeway rewards programme. "We're trying to give our regular customers some genuine added value when they fly with us."

Virgin's Freeway programme offers just the sort of rewards to be expected from the Branson empire: apart from "free" flights it encompasses off-shore powerboating, flying lessons, a day at a health club, or a photo safari in Kenya. "The wackier the better," adds Mr [redacted].

Virgin have also got together with other UK suppliers to provide [redacted] more comprehensive network for [redacted] to gather points to put towards a Freeway reward. Last [redacted], for example, Virgin linked up with Dan-Air to provide a frequent-flyer programme. [redacted] benefit from Dan-Air's point of view is that the Freeway programme does not incur unlimited future liability: when a flight is achieved through the programme this is bought by Freeway at a commercial rate.

Frequent flyer programmes, moreover, [redacted] not confined simply to airlines. Thomas Cook, for example, has an exclusive (membership by invitation only) card for frequent travellers called the Carte d'or, which [redacted] number of benefits – including $100,000 travel insurance and an emergency cash facility – to [redacted] frequent traveller members.

But airline schemes are what most travellers want. United Airlines, one of the clutch of new carriers now operating the transatlantic routes out of Heathrow, has just fired one of the early shots in what could be a new frequent flyer war on this side of the North Atlantic. Its First Class and Business Class passengers who are members of its Mileage Plus programme now get double mileage on US – London routes. In addition, frequent flyers can also have the opportunity to take a partner with them on a future round trip to the US, Canada or the Caribbean.

■ ASIA-PACIFIC

Carriers see long-term promise in the east

THE simmering row between British Airways and Virgin Atlantic over the availability of flights on the lucrative London-to-Tokyo route emphasises the potential which all the world's biggest airline carriers see for Japan and the Pacific Rim countries.

There seems little doubt that such is the planned growth of the region – estimated to account for a quarter of the world's gross domestic product by the end of the century – that there will be considerable expansion of business air travel in the long term.

Yet in the short term the Pacific Rim region – if less affected by the recession and war than the US and European markets – still appears fragile.

Work is under way to double capacity at Narita airport while an *entirely new airport* is being built at Osaka

"The Gulf crisis affected passenger volume most severely on our European and American routes," says Mr Keisuke Inui, chief operating officer of All Nippon Airways, Japan's largest airline.

"When the war ended, we thought that demand would recover completely by the end of June, but the after-effects of the crisis were worse than expected," he adds.

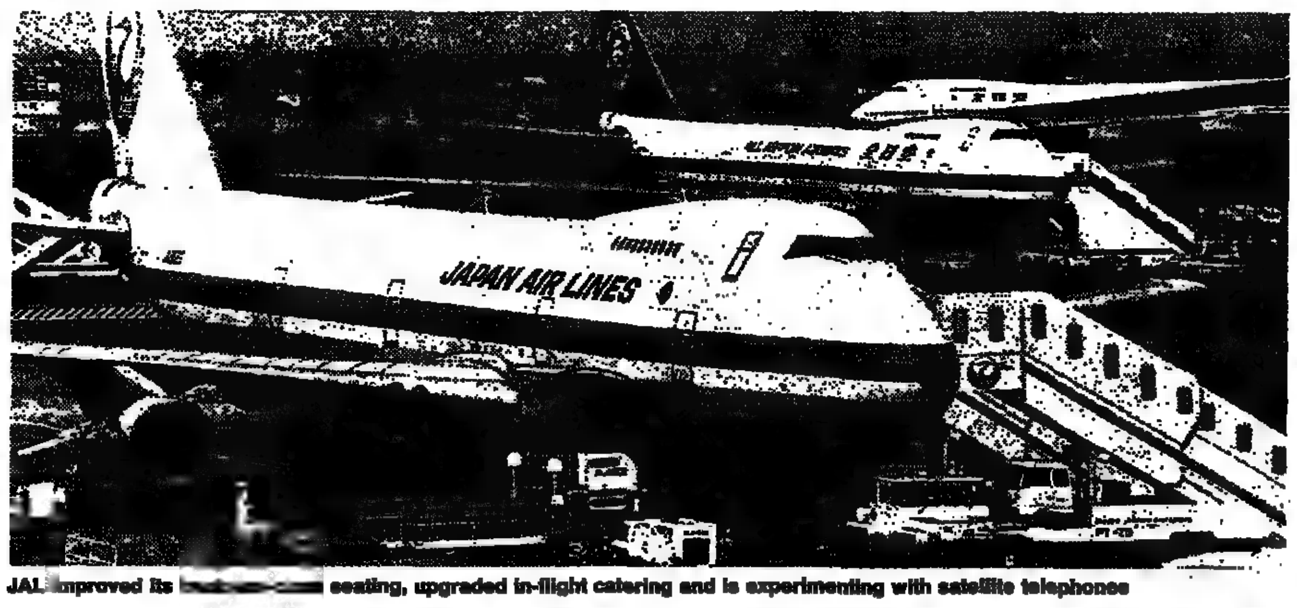
Trade estimates suggest that the Gulf war caused a 10 per cent slowdown in traffic out of the region, with a slightly smaller fall-off caused by the recession in the US and parts of Europe.

Yet Mr Inui firmly believes – as do the other Asian carriers – that the current slump is only short-term. "The Japanese market is especially rich in potential for growth in travel abroad: about 11m Japanese travelled abroad last year, with that figure set to grow to more than 20m by the end of the century," he predicts.

ANA has recently re-vamped its business class service to catch up with the very high level of service provided for business travellers throughout the region. Japan Airlines has also improved its business class seating – moving to a seven-across configuration, for example, instead of eight across – and upgraded its in-flight catering.

JAL is also one of the airlines experimenting with a satellite telephone service on some flights, along with perhaps a more useful in-flight fax facility.

JAL and ANA are well aware of the intense international competition to gain access to the Japanese business market. Some 46 other airlines operating from 36 countries have landing rights in Tokyo. Another 38 carriers are waiting in the wings.



JAL improved its [illegible] seating, upgraded in-flight catering and is experimenting with satellite telephones

Further international expansion into Tokyo has been held back by the restriction on traffic at Japan's main two international gateways in Tokyo and Osaka. Work, however, is already under way to double capacity at Tokyo's Narita airport, while an entirely new airport is being built at Osaka.

The problems of getting *through the Tokyo traffic from* Narita airport have been eased by the launch of an express rail link taking just 50 minutes to the centre of Tokyo. The train was designed with the international traveller in mind: announcements are in English as well as Japanese and there are local and international phone links aboard the train.

Japanese government restrictions on airlines make it impossible for carriers such as Virgin to offer individual limousine services from the airport, similar to that offered elsewhere in the world. Virgin says it offers a "limousine bus service" instead from Narita airport.

Its latest wrangle with BA *over the Tokyo routes came* last month when Mr Richard Branson, Virgin's chairman, applied to the UK's Civil Aviation Authority for two of BA's take-off and landing slots to Tokyo.

Virgin, which at present flies to Tokyo six times a week, asked the CAA for two more slots to operate a daily service. It also wanted the CAA to limit BA's total number of slots to Narita from 26 to 24.

It is seeking further BA slots at Narita because the Japanese authorities have refused to increase the total number of slots available for UK carriers. BA described the move as "a further example of Virgin seeking unjustified substitution of rights historically exercised by BA."

A previous application by Virgin for four BA Narita slots was granted by the CAA. A subsequent appeal by BA to Mr Malcolm Rifkind, the transport secretary, was turned down – one of the factors which led Lord King, BA's chairman, to tell shareholders last month that the airline would not in future make donations to Conservative funds.

Such wrangles probably do not unduly worry the frequent business traveller to south-east Asia, whose concern is mainly to arrive on time and in good *shape. This has made non-stop* flights the key factor for many executives when choosing an airline.

Cathay Pacific, the Hong Kong-based airline, recently started non-stop services to Hong Kong out of Heathrow using its new Boeing 747-400 series aircraft. Initially Cathay was flying out of Heathrow at 9 pm but has now scheduled in earlier departure times.

"The real attraction of an earlier departure for executives is the better choice of onward connections to Korea, Taiwan and Japan", explains Mr John Dance, Cathay's UK manager.

Australian airline Qantas has also taken advantage of its new Boeing 747-400 aircraft to speed its service out of the UK, with stopovers at Singapore and Bangkok before flying directly on to Sydney and Melbourne. "With 70 per cent of our passengers now being international and only 30 per cent Australian, compared with a 40-60 ratio a few years ago, it is important we meet the international demand with our routes," says Mr Wayne Pearce, Qantas UK manager.

Such wrangles probably do not unduly worry the frequent traveller to south-east Asia

One great advantage that both Cathay and Qantas have for the business traveller is that they fly out of UK regional airports such as Man*chester direct to south-east* Asia. But, increasingly, British executives located close to a UK regional airport with only limited access to Heathrow are flying into continental airports – such as Paris or Amsterdam's Schiphol – so as to catch connections to Asia.

David Churchill

■ US AIRLINES

Struggling in a sea of red ink

IT IS an unfortunate fact that there is an inverse correlation between the health of the airline industry *and the conditions* which the travelling public enjoys – at least on a short-term basis.

So while US airline executives generally have been battling against a sea of red ink during the past year, the opportunities for cheap travel, seat availability, increased opportunities to earn free "air miles" and so on, have been substantial.

From the airlines' viewpoint, the problem has basically been one of oversupply – made worse by the disruption to traffic and sudden surge in fuel prices which occured during the Gulf war, the continued existence of carriers which have sought bankruptcy court protection, a variety of labour problems, and pressure on costs generally.

Very simply, the economic recession in the US has seriously dented domestic traffic growth, although the international picture remains slightly more cheerful.

A number of US carriers, *moreover, had entered the* nineties with severely strained balance sheets – the product of the leveraged bid climate in the eighties and the susceptibility of the airline industry, with its strong cash flow and often attractive assets, to this type of activity.

As a result, the increase in fuel prices in the latter half of 1990 put an enormous squeeze on the industry, which duly lost more than $2bn in the fourth quarter of 1990 and a similar amount in the first three months of 1991.

A number of the more financially-frail carriers – such as Eastern Airlines, Pan Am and Trans World Airlines – were pushed to, or even beyond, their limits.

Eastern, already in bankruptcy, finally grounded its operations after Christmas. Continental Airlines, Pan Am, Midway Airlines and America West, all filed under Chapter 11 of the Bankruptcy Code. TWA embarked on – and is still engaged in – an ambitious debt restructuring plan.

But from a travellers' viewpoint, the short-term effect of this severe profits squeeze has been anything but unpleasant. Price-discounting has been rife, with many of the initiatives being started by the ailing carriers. This is understandable: the need to increase cash-flow becomes paramount.

The trend was, perhaps, most marked on the transatlantic routes when terrorism fears caused the flow of international business travel to dry up. At that stage, it was possible to fly return for as little as $300 and – for a short time at least – there was little problem in obtaining a seat. This level of discounting on international routes has now diminished, but on internal US routes bargains can still be found.

Airlines are also sometimes flexible about the "small print" conditions of these special offers – although they will never admit to this publicly. One ailing carrier, for example, recently offered a special deal on a New York-Los Angeles route but cheerfully waived the seven-day advance booking requirement, presumably in the hope of squeezing a little more traffic on what was ultimately a half-empty aircraft.

It is true that while the presence of financially-fragile carriers in the industry has benefited consumers in terms of ticket prices, it has not always made for the smoothest of journeys. Most dramatically, one could point to the dramatic Friday *night shut-down of* Eastern's operations which left ticket-holders with the hassle of rearranging their flights.

Rather more pervasively, the state of an airline's finances seems to bear some relationship to its ability to deliver passengers to their destination on time and without com*plaints.*

This is a generalisation, and should not be pushed too far. But it is noticeable, for example, that the index for airline performance in 1990 quoted in the most recent issue of Business Travel News, included American, Southwest, United and Delta in the list of top six airlines. The bottom three comprised TWA, Continental and America West.

In the case of Eastern Airlines, moreover, even the safety question came into play. Its unions lobbied heavily in Washington, suggesting that the airline was negligent in its safety practices. Then, just as management was attempting to repair the damage done from these allegations, a grand jury indicted nine Eastern managers on charges of falsifying records to make it appear that repairs had been done when they had not.

In the longer term, there is little doubt that many airline analysts feel that the steady consolidation of the industry is reaching its final phase. New airlines, which surged into market after deregulation have slowly been absorbed. The recent bout of losses has forced others to sell off assets in the hope of survival.

Many pundits reckon that three airlines – Delta, United and American – will make up a new class of "super-carriers", with extensive domestic and international networks, although there may be more limited roles for a few other survivors.

The question is, will such a scenario push prices higher in the future, or will some greater measure of international competition come into play?

Nikki Tait

■ SUPERSONIC TRAVEL

Concorde flies on

FOR 22 years it has been the stuff of dreams: Concorde, the world's first and only commercial supersonic aircraft, came into its own during the boom conditions of the 1980s when it was more important to cross the North Atlantic in style, refreshed and on time, than to worry about the cost.

Top business executives such as Sir James Goldsmith, Lord Hanson, [illegible] Sir Hector Laing were all frequent flyers at twice the speed of sound in pursuit [illegible] expanding their business empires. For them – [illegible] others such [illegible] rock stars and sports personalities – the New York return fare of [illegible] was well worth the expense [illegible] return for the substantial [illegible] in their time.

But in the [illegible] [illegible] all that has changed. [illegible] many [illegible], allowing their executives – [illegible] senior – to travel by Concorde has [illegible] be carefully weighed against [illegible] factors. [illegible] least, [illegible] example, is whether the [illegible] [illegible] [illegible] actually necessary and whether allowing [illegible] chairman to fly supersonic not only punches a hole in the [illegible] budget but [illegible] [illegible] [illegible] more junior executives whose flying [illegible] restricted or down-graded to the back of the aircraft.

[illegible] British Airways and Air France [illegible] scheduled Concorde services) plan to do to make the aircraft more attractive [illegible] the business user in the 1990s?

The [illegible] [illegible] rather limited. [illegible] the finite nature of Concorde – there are only 14 (seven [illegible] with Air France) in operational service and each has only a maximum of 100 seats – there is little scope for expanding the present service in either frequency or [illegible]. In fact, the [illegible] of Concorde aircraft means that the time will soon [illegible] BA and Air France have to consider carefully the life-spans [illegible] remaining fleets and the availability of [illegible]. They may have to decide to curtail the chartering of [illegible] leisure trips.

Both [illegible] problem in persuading [illegible] travellers [illegible] really [illegible] the [illegible] time advantage that can [illegible] them the [illegible] in their work. The outward journey from [illegible] and Paris [illegible] clearly of [illegible] to [illegible] wanting to save time.

With a check-in only half an hour before departure (with only 50 to 70 passengers boarding a typical flight there are none of the delays when boarding a Jumbo), the executive on the [illegible] Concorde flight [illegible] of Heathrow will have [illegible] able to sort out his London desk before catching the flight and arriving at JFK at about 9:30 on the same morning.

The real drawback – as [illegible] traveller will know – is not in the actual flight time itself (which is where Concorde obviously scores) but at the airports [illegible] either end of the trip.

Heathrow's Terminal Four (where Concorde flies from) has become a [illegible] who want [illegible] check in [illegible] because of the tight new security rules. Executives usually find themselves having to push through hordes of holiday travellers (somewhat akin to flying out of [illegible] Third World airport) or seeking the help of [illegible] BA staff member if there is going [illegible] be any [illegible] catching [illegible] at all.

At JFK airport in New York, [illegible] problem [illegible] firstly [illegible] through immigration (although BA [illegible] passengers) and then getting into the city itself. Air France offers a complimentary helicopter service into Manhattan.

[illegible] with all [illegible] drawbacks, [illegible] still possible [illegible] London's Savoy [illegible] overlooking the river and [illegible] in New York [illegible] relatively [illegible] in time for a business lunch.

[illegible] Air [illegible] outward-bound Concorde to [illegible] York [illegible] at 11am Paris time [illegible] arrives [illegible] before [illegible].

Few frequent business users of Concorde apparently [illegible] advantage [illegible] the in-flight meals which, given [illegible] cramped facilities, are perfectly adequate but just come at the wrong [illegible] the day for [illegible] outward flight. It is either too late for breakfast or too early for lunch.

One of the other great advantages [illegible] Concorde – apart from the 3½-[illegible] flight [illegible] – is [illegible] of flying twice as high as a regular Jumbo, the Concorde cabin [illegible] actually pressurised at a much [illegible] altitude. [illegible] the normal dehydration associ[illegible] with [illegible] long-haul sub-sonic flight is barely noticeable to a Concorde [illegible].

The only snag with the jet-setting Concorde scenario [illegible] that the actual elapsed body [illegible] of the outward journey [illegible] that by the evening, many executives are beginning to feel the time [illegible].

While flying out with Con[illegible] Europe [illegible] America has cl[illegible] benefits, these are not so obvious on the return leg. The 9:30 morning BA flight out of JFK does not reach London [illegible] 6:20pm local time. The 1.45pm [illegible] out [illegible] New [illegible] more popular: [illegible] morning [illegible] work in the city – but it does [illegible] arrive until 10.25pm London time [illegible] Heathrow.

The return Air France flight [illegible] New [illegible] 1pm [illegible] in [illegible] 11.45pm [illegible] time. This [illegible] it [illegible] late for [illegible] on-going [illegible] tion in Europe, [illegible] Air France [illegible] Concorde passengers up [illegible] in [illegible] Meridian hotel [illegible] it also owns).

While [illegible] who can afford [illegible] fly [illegible] do not normally [illegible] price, the [illegible] era [illegible] corporate travel [illegible] seen Air France achieve a distinct price advantage over BA.

Air France, for example, will fly a UK executive out [illegible] Heathrow on the 7.30 morning flight to Paris in order to catch the 11am Concorde flight to New York for a single fare of just £1,826. (Return fares are double.)

This is significantly less [illegible] one-way flight fare of £2,515 and even under-cuts [illegible] first-class fare of £1,935 on the [illegible] route.

"We [illegible] tell [illegible] companies that if their [illegible] tives are [illegible] to fly [illegible] but [illegible] Concorde [illegible] BA, they can fly Concorde with us," [illegible] an Air France spokesman.

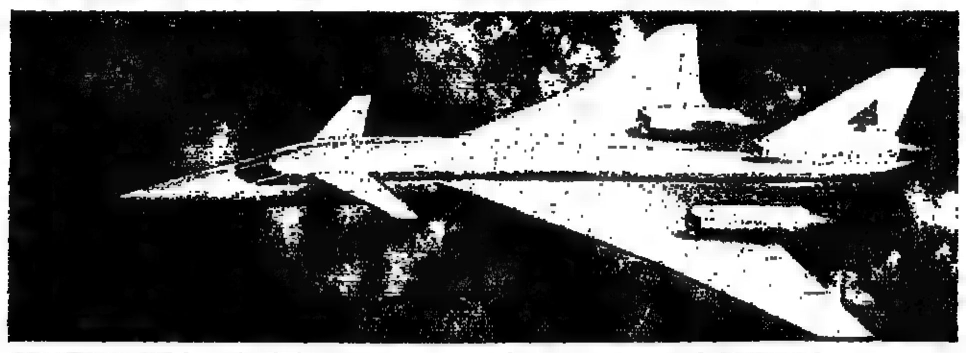
But does Concorde have a future? "It clearly has [illegible] niche in [illegible] the [illegible] across [illegible] North Atlantic in the fastest time possible," [illegible] Mr Colin Rainbow, comm[illegible] director of Pickfords Travel.

BA [illegible] Air France, moreover, continue to assidiously woo [illegible] top echelons [illegible] business [illegible] use [illegible] aircraft [illegible] possible, [illegible] up-grading regular [illegible] to give them [illegible] taste of the fast life.

[illegible] all [illegible] may be in vain. After 22 years, Concorde will soon be beginning [illegible], whatever [illegible] the engineers [illegible] it flying.

With the plans [illegible] replacement supersonic aircraft still looking [illegible] long way off, the high-flying executive in [illegible] early part of next [illegible]tury may [illegible] eschew the glamour [illegible] Concorde for more mundane sub-sonic travel.

David Churchill



[illegible] An artist's impression of a possible future supersonic [illegible] jet

■ BRITAIN

Market rivalry benefits flyers

THE CLOUD over UK domestic air travel caused by the Gulf war and recession has had one silver lining: the pressure [illegible] routes [illegible] Heathrow airline slots has been eased by the fall-off in demand.

Last autumn, for example, British Midland appealed against the Civil Aviation Authority's decision not to reduce British Airways' 14 flights a day on the London to Glasgow route. British Midland felt that BA had too many flights for the market and argued that it could [illegible] respond [illegible] of few slot times available [illegible] Heathrow.

But British Midland [illegible] now [illegible] worried by the imbalance. It feels it has enough flights at the moment on the [illegible] to Glasgow route with eight a day to [illegible] market demand after [illegible] war and during a [illegible] it [illegible] BA [illegible] doing itself more harm than [illegible] in keeping 14 flights a day [illegible] Glasgow.

Such [illegible] view highlights [illegible] continuing intense rivalry [illegible] BA and BM in the domestic market – a rivalry which has [illegible] BM chip [illegible] at BA's traditional dominance [illegible] home market [illegible] decade. While [illegible] competition [illegible] by [illegible] it [illegible] sought [illegible] expand [illegible] sights worldwide, the rivalry [illegible] undoubtedly been good for the business air traveller.

Air [illegible] on [illegible] main [illegible] more competitive than [illegible] far [illegible] than [illegible] comparison with those charged between Euro[illegible] cities.

But it [illegible] level of service [illegible] has changed beyond all recognition in the UK [illegible] competition. Only [illegible] few years ago, the chance of [illegible] or drink in-flight [illegible] impossible; now, the service for full-fare paying business flyers [illegible] much improved, although still [illegible] good [illegible] many frequent [illegible].

On British Midland's Dia[illegible] Service class for [illegible] ness travellers, for example, passengers are [illegible] or cold food depending on the time of the day, along with free [illegible] and drinks. In addition, [illegible] of morning [illegible] evening [illegible] is available, with hot towels [illegible] freshen [illegible] before landing.

Three or four years ago to [illegible] provided [illegible] towels [illegible] would [illegible] been unthinkable; they were the prerogative of [illegible] tional [illegible] on long-haul [illegible].

The competition brought about by British Midland [illegible] a couple [illegible] radically [illegible] upgrade [illegible] domestic shuttle services, providing [illegible] drinks [illegible] flights [illegible] previous rather miserly cater[illegible].

BA, however, [illegible] retains its dominance of UK domestic [illegible] with [illegible] generically-named [illegible] full-[illegible] paying [illegible] travellers, [illegible] unique guarantee [illegible] UK [illegible] even if the [illegible] full by providing a back-up service.

While [illegible] improved [illegible] in-flight [illegible] in [illegible] with [illegible] competition [illegible] airline's [illegible] philosophy of improving its value for money, [illegible] still believes [illegible] the frequent business traveller [illegible] primarily [illegible] for [illegible], flexi[illegible] and reliability of service.

Hence [illegible] brought in self-ticketing [illegible] "TimeSavers" to [illegible] frequent flyers to buy their [illegible] and book their [illegible] the airport just [illegible] minutes [illegible] the flight, making use of [illegible] special booking [illegible] responded [illegible] that the system [illegible] not always work by [illegible] reliability as well as developing [illegible] same automatic facility through [illegible] agents.

In spite of [illegible] competition between [illegible] and British Midland, route prices between [illegible] fairly [illegible]petitive [illegible] present. [illegible] airline [illegible] a [illegible] price war [illegible] present, given [illegible] fragility of [illegible] recovery post-[illegible] the continuing impact of [illegible].

[illegible] Bishop, chief [illegible] British Midland, says [illegible] "a price [illegible] at this time is in nobody's [illegible]." Where BM is competing, he adds, is [illegible] special deals for members [illegible] its frequent flyer Diamond [illegible].

BA at the [illegible], however, has [illegible] scoring a [illegible] advantage with the offer [illegible] ple [illegible] Miles points on its Latitudes frequent flyer pro[illegible].

But the airlines are [illegible] constrained by market forces. "There is no doubt that the domestic airlines [illegible] facing tougher competition from the rail network," points out Mr Ron Spiers, [illegible] of the ABC World Airways travel guide. "This is why they are pushing [illegible] achieve brand loyalty through special schemes and so on," [illegible] adds.

Dan-Air, for example, which has secured a new lease [illegible] life in the UK following the demise of Air Europe earlier this [illegible], is pushing new special ben[illegible] for business travellers including speedy check-in systems.

Passengers with hand lug[illegible] on its routes [illegible] Aberdeen, [illegible] Newcastle can organise their [illegible] for the return sector of their journey while [illegible] Gatwick. [illegible] are held until 15 [illegible] prior [illegible] departure.

Dan-Air is one of [illegible] number [illegible] which continue to [illegible] the domestic market in spite of [illegible] competition from BA and BM [illegible] the impact of Heathrow now being [illegible] to all-comers.

[illegible] the [illegible] de-regulation at Heathrow benefits [illegible] and BM in providing regional services, [illegible] specialist regional [illegible] having difficulty [illegible] finding and being [illegible] afford [illegible] provide [illegible]necting services [illegible] the smaller regional airports.

[illegible] provide [illegible] the essential regional services which [illegible] unprofitable for [illegible] larger carriers with substantial overheads. Birmingham European, for [illegible]ple, [illegible] the Birmingham [illegible] International [illegible] operating four [illegible] daily on weekdays using BAe 1-11jets.

During the [illegible] will probably be [illegible] specialist [illegible] who will provide [illegible] thrust [illegible] development [illegible]vices.

[illegible] sights are firmly set, quite rightly, on [illegible] world-wide markets. [illegible] Michael Bishop [illegible] his eyes [illegible] continental Europe: by [illegible], he says, three-q[illegible] of the airline's business will be in Europe, compared [illegible] per [illegible] present.

For [illegible] business passenger, however, the benefits they seek will be faster handling on the ground and more reliable services. The airline that can best offer – and achieve – this will be the domestic airline [illegible] secures the business air traveller [illegible] in the [illegible].

David Churchill

Smaller [illegible] continue [illegible] thrive in [illegible] market: Brymon Airways uses Dash [illegible] City airport

Alan Harper

BUSINESS AIR TRAVEL

Michael Donne reports on developments in air traffic control

Making the most of Europe's airspace

CONSIDERABLE efforts are being made throughout the UK and [illegible] Europe [illegible] improve the overall air [illegible] control system, to enable the air trans[illegible] *industry to cope* [illegible] anticipated long-term growth in traffic.

Airports and air traffic [illegible]trol (ATC)are heavily dependent upon [illegible] other – the best airport terminal in the [illegible] cannot [illegible] adequate ATC while [illegible] traffic control system must be capable *of handling everything* [illegible] all the air terminals in [illegible] given area hand over to it. If either [illegible] in [illegible] way [illegible]quate, the air transport system [illegible] up.

Some time [illegible] the Euro[illegible] Civil Aviation Conference (ECAC), representing [illegible] civil aviation [illegible] of [illegible] 20 countries in western Europe, [illegible] up a strategy for the improvement of air traffic control in Europe, designed [illegible] an expected growth in [illegible] from 4m flights through the central ECAC area in [illegible] between 5m and 7m by [illegible] year 2000, or growth of [illegible] 7 and [illegible] per [illegible] year.

Although the recession and [illegible] crisis [illegible] have created [illegible] in [illegible] situa[illegible] recent months, [illegible] now passing and [illegible] original growth [illegible] seem likely to [illegible] resumed soon. The [illegible] improvements in air traffic control remains paramount.

ECAC [illegible] decided in October [illegible] air traffic "flow management" – the [illegible] handling [illegible] Europe's multitude of intersecting [illegible] aircraft – should be progressively centralised into [illegible] single control unit which is expected [illegible] fully operational by [illegible] 1993. This is [illegible] vital step for[illegible] in making the [illegible] use [illegible] *available airspace capacity* [illegible] what is one of [illegible] world's [illegible] complex and [illegible] air [illegible] regions.

In [illegible] to improving flow management, however, [illegible] work is [illegible] done [illegible] expand the capacity of [illegible] overall air traffic [illegible]tem – fitting ever [illegible] air*craft into* [illegible] *available* three-dimensional airspace with [illegible] safety.

[illegible] equipment [illegible] stepped up [illegible] running at [illegible] ECAC [illegible] of [illegible] than [illegible] a year. [illegible] communications [illegible] installed, new control sectors added, "[illegible] cells" [illegible] and staff recruitment and training increased. The full benefit of these measures is only [illegible] beginning [illegible] be felt, [illegible] many of [illegible] require several years to [illegible] complete effect.

Eurocontrol, [illegible] existing central organisation for air traffic control in Europe, is playing [illegible] key role in all [illegible] and its importance in [illegible] future organisation of air traffic in Europe [illegible] assured. It has been [illegible] by ECAC [illegible] the vehicle for creating [illegible] new centralised air traffic control system for much of western Europe, capable of expansion to include [illegible] on.

Under [illegible] leadership [illegible] Mr Keith [illegible] formerly head [illegible] Air Traffic Ser[illegible] Civil Aviation Authority (CAA), [illegible] is spending Ecu36m on the design phase of [illegible] air traffic control [illegible] for [illegible] Europe. This phase is expected to be completed by 1995 when it will move into the implementation phase, costing some [illegible] including [illegible] technical design, development, procurement and installation [illegible] progressively introduced with completion [illegible] around 2004.

[illegible] then, [illegible] that Europe will have the [illegible] modern ATC system in the world, [illegible] complex and expanding [illegible] of [illegible] through more than 20 countries well [illegible] the [illegible] century. Meanwhile, in [illegible] UK, [illegible] CAA is spending [illegible] in an "Investing For Growth" programme covering more than 150 big ATC improvement projects, *besides raising the number of controllers.*

One element of great significance [illegible] been the development [illegible] new [illegible] (CCF), based on a "tunnels in the sky" concept of [illegible] arrival and departure routes for each of the airports in the [illegible] of England.

The CCF, [illegible] already used in [illegible] busy New York and other [illegible] terminal control areas, involves bringing into service modern [illegible] displays and [illegible] improved technology [illegible] present information [illegible] the controllers. It is designed [illegible] streamline [illegible] controller's task and [illegible] to an [illegible] more than 30 per [illegible] in [illegible] capacity over south-east England when it [illegible] fully operational in [illegible] 1995.

Already [illegible] phase [illegible] CCF [illegible] been inaugurated, moving [illegible] controllers who manage flights arriving at or departing from the London Terminal [illegible] into [illegible] new operations room at the [illegible] Air Traffic [illegible] at West Drayton [illegible] Airport. In [illegible] phase, to be completed by 1993, [illegible] approach radar [illegible] tions at Heathrow, [illegible] and Stansted airports will be transferred to the [illegible] operations [illegible].

When fully operational by [illegible] mid-1990s, [illegible] will [illegible] all air [illegible] using [illegible] airspace – not only [illegible] using the London airspace – because [illegible] high proportion [illegible] all flights, both [illegible]tic and international, fly over [illegible] south [illegible] England, and [illegible] will smooth [illegible] traffic [illegible].

The CAA [illegible] already [illegible]ing the [illegible] systems to [illegible] and [illegible] Scottish Lowlands to meet the [illegible] needs of those areas and their predicted [illegible] growth. Elsewhere in the UK, [illegible] £3m ATC improvement programme has [illegible] inaugurated at Birmingham International Airport (where a [illegible] second [illegible] has [illegible] operational this summer, [illegible] the airport's capacity to [illegible] than [illegible] passengers a year).

Also part of [illegible] CAA's [illegible] expansion programme is [illegible] construction [illegible] a £200m en-[illegible] air [illegible] near Fareham in Hampshire.

[illegible] to [illegible] operational in 1995, [illegible] with [illegible] 800 [illegible] will [illegible] all [illegible] flights [illegible] England and Wales, complementing the [illegible] operations [illegible] Air Traffic [illegible] Centre.

Looking even further ahead, [illegible] the [illegible] the CAA [illegible] increasing [illegible] ranging [illegible] research and development [illegible] and [illegible] fits likely to arise from [illegible] combination of improved [illegible]tional procedures [illegible] technological developments.

For the longer term, other new developments promise to help air traffic control systems worldwide [illegible] upsurge in traffic. One develop[illegible] which increasing [illegible] is now being paid is the [illegible] of satellite communications for aircraft, under [illegible] developed by the [illegible]tional Maritime Satellite Organisation (Inmarsat).

While much emphasis [illegible] upon the use [illegible] "Satcoms" for provision [illegible] in-flight telephones and [illegible] for the use of passen[illegible] in aircraft cabins, such [illegible] pale into insignificance compared with [illegible] advantages [illegible] "Satcoms" can bring [illegible] services.

Mr Oluf Lundberg, director-general of Inmarsat, said in Paris earlier this summer that those responsible for aeronautical safety were now [illegible]vinced that satellites [illegible] the real key to the future [illegible]ment of effective air traffic services. The combined technologies of mobile communications satellites and global navigational satellite systems provided the raw materials with which to build air traffic control services systems for the next century.

Mr Lundberg said that the International Civil Aviation Organisation (ICAO – the aviation technical agency of the UN), and [illegible] Future Air Navigation Systems ([illegible]), Committee, [illegible] pushing hard [illegible] develop system concepts [illegible] secure international acceptance for specific satellite-[illegible] air [illegible] plans.

Dr S. S. Sidhu, the ICAO secretary-general, believes that the Fans committee will have "the same [illegible] on aviation as the [illegible] of the [illegible] aircraft in the 1950s."

This coming September, at a big air navigation conference sponsored by ICAO, the Fans committee will be discussing with ICAO member states an overall plan for the introduction of satellite-based communications, navigation and surveillance systems, to become available worldwide before the end of the century.

The following [illegible] is expected to see [illegible] gradual phasing out [illegible] ground-[illegible] systems with the aim of replacing them completely by [illegible] 2010.


London air traffic [illegible] at West Drayton. The [illegible] is spending £750m on ATC improvements


Much work is being done to expand the capacity of the air traffic control system — as well as improving flow management

هكذا من الأهل

Paul Betts reports on the commercial aircraft industry

Programmes reflect trend towards larger airliners

AT the Toulouse headquarters of Airbus in south-west France, the European consortium has begun assembling the latest member of its expanding family of airliners: the A340 four-*engine long-range jet*.

The new airliner, the biggest to be built by Airbus, will fly for the first time in October. Its sister aircraft, the twin-engined A330, will also be assembled in the huge new facility built by Aerospatiale, the French Airbus partner, at the Toulouse complex.

On the other side of the Atlantic, Boeing, the world's largest manufacturer of commercial jets and principal rival of Airbus, is also preparing for production of its latest airliner programme, the 777, the twin-engined wide-bodied competitor of the A330.

Larger capacity aircraft are expected to account for about half of the world airliner market by the turn of the century

At Long Beach in California, McDonnell Douglas is already delivering to airline customers its latest wide-bodied jet, the three-engined MD11 and is working on a stretched version of this aircraft called the MD12X.

All these competing pro*grammes reflect the evolving* long-term trend in commercial aviation towards larger capacity aircraft, which are expected to account for about half of the world airliner market by the turn of the century.

In its latest forecast for the world commercial aircraft industry, Boeing expects larger jets to dominate the market with nearly 85 per cent of new aircraft delivered to airlines between 1996 and 2005 having 170 seats or more.

The trend towards bigger wide-bodied aircraft has been largely dictated by the demands of airlines for roomier and more economically efficient airliners and the need to resolve the growing problems of air traffic and airport congestion threatening to undermine the steady long-term growth of air travel demand.

Although airlines and aircraft manufacturers have been badly hit this year by the combination of the economic recession and the effects of the Gulf war on air travel, both remain fundamentally optimistic about the sustained long-term growth prospects of air travel. This is expected to average 5-6 per cent over the next 10 years despite a sharp dip this year following the industry's partic*ularly deep cyclical slump*, exacerbated by events in the Middle East.

However, airline executives and manufacturers have warned that inadequate investments in new airport infrastructure threatens to clip the wings of air transport growth. Congestion at busy international airports has already started building up again with the gradual recovery in air *travel since the Gulf war*.

Air traffic control delays have also continued to cause serious disruptions, although the industry believes air traffic control problems can be more easily resolved than the developing congestion crisis on the ground at many airports in Europe, the US and increasingly in the fast-growing Asia-Pacific air travel market.

Bigger capacity aircraft are *one solution to beating the airport congestion crisis*. But airliners have also sought to improve the overall comfort of their high-yielding first class and business class cabins by turning to the new generation of wide-bodied aircraft. Business air travel surveys have repeatedly shown that punctuality and leg-room are among the most persistent demands of business travellers.

They are also showing increasing interest in very high capacity aircraft capable of seating 600 or more passengers

The other growing demand is for non-stop services. In the *long distance market*, airlines have been turning to wide-bodied twin-engined aircraft with the range capabilities and cabin spaciousness to enable them to operate profitable direct services between two destinations which could not sustain a full Boeing 747 jumbo operation. US carriers have successfully used twin-engined wide-bodied jets such as the Boeing 767 extended-range aircraft to develop direct non-stop links between cities such as Pittsburg or Dallas to European destinations.

Airlines are now looking at the new wide-bodied aircraft such as the 777 or the A330 to provide either more seating capacity for busy short- to medium-range routes or, in their extended range versions, for non-stop international services.

They are also showing increasing interest in very high capacity aircraft capable of seating 600 or more passengers. Indeed, this appears to be the next big challenge for aircraft manufacturers.

Airbus is already talking about developing a 600- 700-seater A350 jumbo to challenge Boeing's dominance of the jumbo market with its 747 airliners. "The ultra high capacity aircraft is the next possible big investment by Airbus," Mr *Stuart Iddles, the European group's head of sales*, said at the recent Paris Air Show.

"Although the product itself belongs to the long term, our short term includes the process of clarifying our thinking and our medium term could well see increasing attention to it," he added.

Manufacturers are continuing to study the development of a new supersonic passenger aircraft to replace Concorde

Mr Jean Pierson, the Airbus managing director, said the European consortium was now *defining with a number of* selected customers the potential for such an aircraft. He suggested a launch decision could be expected in 1997 for the new jumbo to enter airline operations in 2002.

Boeing, which has been concentrating its attention on its new 777, has also started studying the possibility of building an even larger 747.

"In addition to the 777 family *of airplanes*, Boeing market analyses indicate an evolving need for subsonic airplanes larger than the 747-400 (the latest member of the 747 family)", said Mr Philip Condit, a Boeing executive vice-president, at the Paris Air Show last June.

"On some heavily travelled long-range routes, a number of airlines today fly two 747s departing within one to four hours of each other. It is likely that the market will require a 600-seat, or larger airplane by the year 2005 and maybe earlier," he added.

Mr Condit said Boeing was talking to customers and looking at a variety of options to meet these future demands for a super jumbo. "Possibilities include a stretched 747-400, a 747 with a full-length upper deck and an all-new large airplane," he said.

Although the longer term emphasis is on larger aircraft, manufacturers are also working on several new, smaller, narrow-bodied aircraft developments.

The regional and commuter airline market is expected to expand over the next decade, providing feeder services to expanding international airline *hubs in the US, Europe and* Asia/Pacific.

Airlines will also face an increasing need to replace their older generation narrow-bodied aircraft with new airliners meeting more stringent new noise and other environmental requirements. All current forecasts envisage a very high level of retirements of older narrow-bodied aircraft in the early 1990s, with perhaps as many as 1,000-1,300 aircraft being retired over the next two to three years.

Manufacturers are also continuing to study the development of a new supersonic passenger aircraft to replace Concorde in the next century. This, however, is expected to be a broad co-operation venture between all leading airframe and aero-engine makers because the market is unlikely to sustain more than one project.

A supersonic commercial transport international co-operation study group has already been established to look into the environmental, business and technical issues of developing a new supersonic airliner. The group includes all the leading aircraft manufacturers.

The key to success of this programme, according to Boeing's Mr Condit, is that "it be environmentally successful, technically feasible and economically viable."

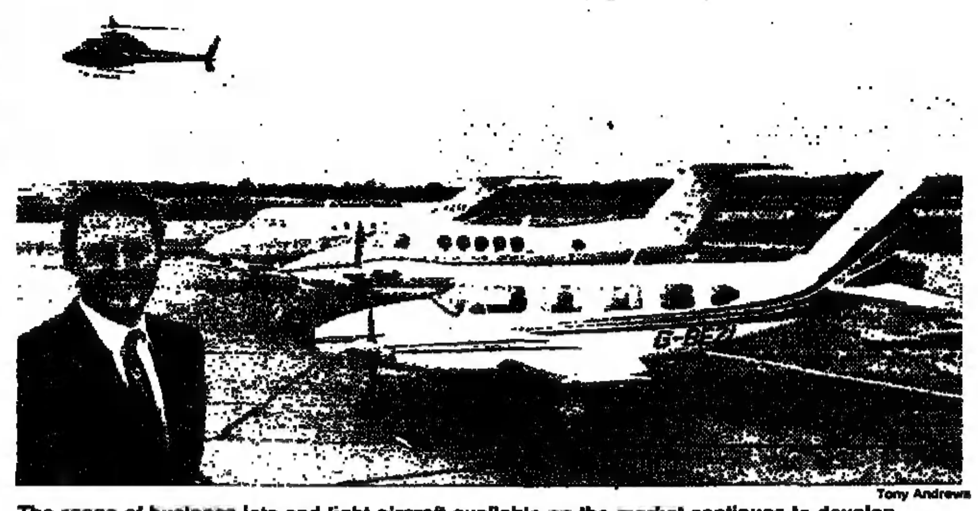
He said the programme goals involved the introduction of a new supersonic aircraft by around the year 2005. It would travel at a speed of Mach 2.4 with an initial range of 5,000 nautical miles growing to 6,500 nautical miles, carry 250-300 passengers, and operate with fares similar or very close to subsonic aircraft fare levels.

■ BUSINESS JETS

Sales rise after Gulf war

THE Gulf war may yet prove to have been a blessing in disguise for the makers of fast, long-range business jets.

After a lag in sales – resulting not just from Middle East tension late but from economic recession in the US, the chief corporate-aircraft market – business has picked up *strongly. Canadair, of Mon*treal, even suggests that one of the factors arousing companies' interest in owning their own air transport is the need to ensure security for executives in a climate of potential terrorism.



Tony Andrews

The range of business jets and light aircraft available on the market continues to develop. Air London chairman Anthony Mack with some of the transport his company offers

Canadair is part of Bombardier of Canada, a group of companies involved in transport equipment and aerospace. In Northern Ireland, Bombardier *owns Short Brothers, a com*muter airliner manufacturer, and in the US, Learjet, a name that has been virtually synonymous with the executive jet since the first Learjet flew in the early 1960s.

Bombardier offers a wider range of executive aircraft than any other company. At the top of that range is Canadair's Challenger 601-3A which derives from a design by the late Bill Lear who was the driving force behind the original Learjet.

The Canadian company is challenging the two longest-established manufacturers of expensive, sophisticated, high-performance business jets: Gulfstream of the US and Dassault of France.

Gulfstream has the top of the market and the company has been working since 1988 with the Sukhoi design bureau of the Soviet Union to develop a supersonic business jet.

Gulfstream is also top in price. Current prices being mentioned for the G-IV are in the \$25m-\$26m bracket, compared with \$22m-\$23m for a Falcon 900 and \$16m-\$17m for a Challenger. One comment made by executives of the Bombardier companies is that for the price of a G-IV, a com*pany could buy a Challenger* and a Learjet as well.

That philosophy seems to be borne out by experience in the marketplace. Canadair is producing between two and 2½ Challengers a month; it sold 27 aircraft in the 1990-91 fiscal year, its best result yet. After a downturn coinciding with the Gulf crisis, Canadair won eight orders in the 30 days leading up to the Paris air show in June.

Dassault also encountered some reluctance on the part of prospective buyers at the time of the Gulf war, but sold four aircraft in April and May, shortly after hostilities ended.

The company does not break down sales by model but says that combined sales of the Falcon 900 and Falcon 50 – a smaller, shorter-range tri-jet – reached 32 during calendar 1990.

On those figures, Gulfstream *is still well up with the field. It* sold 32 G-IVs in calendar 1990. The company comments: "We ended last year with the best profitability in the history of the company."

The figures compare with 30 aircraft sold in 1989 and 49 in 1988. But Gulfstream spent 1988 clearing a \$1.5bn backlog of orders.

Performance and size are Gulfstream's selling points.

Experience gained from military jets is feeding into the design of the supersonic business aircraft

The company notes that its aircraft have had trans-Pacific range *since the G-III, the prede*cessor to the G-IV. Canadair emphasises its price advantage.

Dassault, by contrast, emphasises the safety advantages of its three-engine configuration and what it says is the Falcon 900's less thirsty fuel consumption than the G-IV's. The 900, the company says, is also popular with its pilots.

Certainly Dassault has the advantage of the technology developed out of many years' experience in building high-performance jets for the military. Its Mirage series of fighters date back to the early 1960s and the type has sold in large numbers to air forces all over the world.

Much the same can be said of Sukhoi, Gulfstream's Soviet partner in the supersonic project. Sukhoi factories build the formidable Su 24 Fencer deep-penetration fighter-bomber and *the Su 27 Flanker high-performance fighter*.

Technology and experience gained from such fast jets is now feeding back into the design of the supersonic business aircraft. Significantly, present planning calls for Sukhoi to build the basic aircraft, then for Gulfstream to kit them out in the US with electronics, interiors and paint.

Demands on advanced tech*nology do not stop with the* airframe. The SSBJ – supersonic business jet – will need engines more advanced than any that are yet flying. That is a task being addressed by Rolls-Royce of the UK in partnership with Lyulka, a Soviet design bureau that has produced powerplants for many high-performance military jets.

Rolls-Royce and Lyulka are this summer completing the *first study phase for the SSBJ* engine. Topics that have been agreed cover which company will have responsibility for which aspects of development, and the nature of the engine itself.

It will be, Rolls-Royce says, a dual-cycle engine: subsonically the device must operate as a bypass engine – in which most of the power is provided by cold air passing through a forward fan and outside the engine "core" of high-pressure turbine and combustion chamber – and, for cruise at Mach 2, must revert to functioning as a pure jet, with power provided chiefly from the core.

Gulfstream has announced plans to have a "proof-of-concept" aircraft flying in Moscow in 1994. Rolls-Royce says: "We would be looking to meet that timescale." In terms of the engine core, the company says, the technology exists already *and the basis of the engine is* likely to derive from the tried, tested and widely operated RB211 family of turbofans. Yet much work remains to be done.

Dassault remains non-committal on the subject of SSBJs. In common with other manufacturers, it is considering building such an aircraft, and comments: "We have a permanent level of brain activity" *concerned with the matter*. Even so, Dassault cautions: "The economics of the [Gulfstream-Sukhoi] project are not entirely clear."

British Aerospace, which has about 30 years' experience of building and selling a mid-size business jet, the successful BAe 125 series, is also cautious on the matter of SSBJs. "We have a watching brief," the company remarks.

BAe's most active project is its 1000 model, the latest – and probably last – derivative of the 125 line. Its next step will be what it terms an NBJ: new business jet. How the NBJ will turn out has not yet been decided, the company says, but the aircraft, planned to fly in the late 1990s, is likely to be bigger and to have longer range than the 125s. "Trans-Pacific," BAe says, "is the one everyone is looking at."

A trans-Pacific design from BAe would bring the company into direct competition with Gulfstream and Dassault.

David Boggis

BUSINESS AIR TRAVEL 8

■ EXPENSE MANAGEMENT

Facing up to key questions

WHEN many companies adopted a blanket ban on business air travel during the Gulf war because of fears of international terrorism, it was widely assumed that when it was perceived safe to fly again they would return to their former travel habits.

But experience since then has shown this not to be so. A number of companies, according to business travel agents, have taken the opportunity in the post-war recessionary environment to think again about their whole travel commitments.

Do executives really need to fly to that meeting – or could they get as much information from fax or conference phone? And if they do fly, do they really need to travel first or business class?

It has taken a war and recession in the UK and US to enable corporate travel departments to face up to these key questions. A new survey of 150 top UK companies from American Express, for example, shows that since the war ended 68 per cent have decided to economise on travel and entertainment spending. Two thirds, moreover, are downgrading their staff when travelling.

"Clearly the recession has taken its toll on travel and entertainment spending in recent months," comments Mr John Petersen, vice-president for Amex's travel management services division.

According to the survey, 43 per cent of companies which are economising are reducing the number of travel trips and looking at alternatives to travel. Fax was the most popular alternative (56 per cent), followed by telephone (41 per cent), and 12 per cent opted for teleconferencing.

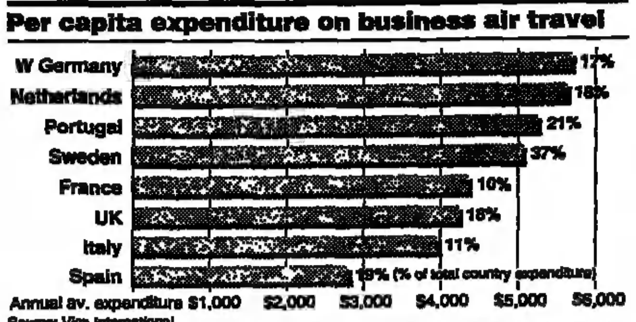
British companies spend some £22bn a year on business travel and entertainment – and their US counterparts about 20 times more – but surveys have consistently shown that, especially in the UK, most companies pay only lip-service to managing business travel costs.

"Our survey shows that at last companies are having to take travel and entertainment more seriously, realising that the key to their future success is the monitoring and control of what has become a significant part of their cost base," says Mr Petersen.

It is this growing realisation that better business travel management can pay dividends that has spurred on charge card companies such as American Express and travel agencies including Pickfords, Thomas Cook, and Hogg Robinson, to develop sophisticated charge card control systems aimed at business users.

Joining this clutch of companies recently has been a joint venture between British Airways and Diners Club to launch a Corporate Card for business travellers. For BA, the card replaces its involvement in the AirPlus scheme – an international consortium which never quite fulfilled its promise of making life easier for the frequent flyer.

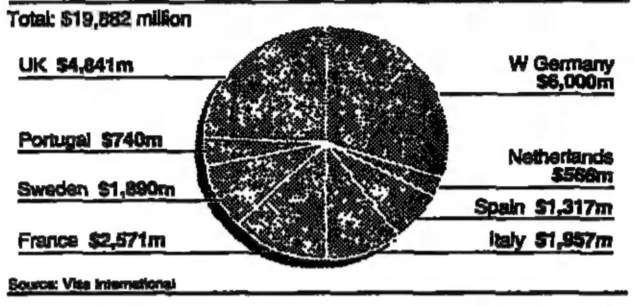
Per capita expenditure on business air travel



Source: Visa International

Annual business expenditure on air travel

Total: $19,882 million



Source: Visa International

The new BA/Diners Card is aimed particularly at frequent flyers with the airline. It will be valid at the 2m outlets around the world wide who already accept Diners Club cards as well as providing other benefits, such as special deals with BA partnership hotels and savings of up to 50 per cent with Hertz car rental.

Two schemes aimed at business travellers are offered: corporate cards co-branded with another operator – such as Pickfords – are available to company business travellers; and "lodged" accounts will be created for companies who spend in excess of £25,000 through their travel agent.

The new card will also be accepted by BA's TimeSaver ticket machines at all the airline's UK Super Shuttle airports. Mr Liam Strong, BA's director of marketing and operations, says that the card offers the "individual traveller, travel agent, company administrator and decision-maker a comprehensive air and travel service."

The BA/Diners card mainly offers a greater control over spending patterns – as do the Amex, Thomas Cook and other travel card systems already. The card systems provide detailed analysis of what was spent as well as where and when, with the benefit of reducing administration costs by cutting the number of invoices and the amount of cash in hand often taken by travellers.

American Express's last big survey of corporate accounting of business travel costs – as distinct from its update just published of how companies are coping post-war – found that two thirds of big companies complained of incomplete documentation and late expense report submission by their travelling executives.

One area it identified of improving travel management costs was feedback from suppliers. Only 28 per cent of the 400 leading UK companies it surveyed received any feedback from suppliers of business travel, mainly in the simplistic form of ticket details and flight costings.

The initial step in any travel expense system is to identify exactly what costs are being incurred. Direct costs are those which can easily be identified – such as airline tickets, hotel bills and car hire. But there are also hidden costs such as cash advances, chasing up overdue expense claims, and cheque processing.

The position is often made worse by the fact that several different people may have responsibility for travel plans – ranging from the secretary who books hotels through to the executive drawing foreign currency from the company cashier and then claiming expenses on his or her return.

One problem with tighter control of business travel costs, however, remains the impact on the executives themselves. Over-keen company accountants who insist on economy-only flights, for example, may look good on paper. But in reality, tired executives may do more harm for their company's prospects than any potential savings from cheap air fares.

"Business travel is sometimes perceived as glamorous," points out Mr Christopher Rodrigues, chief operating officer for Thomas Cook. "In reality it's tiring, stressful and can be extremely expensive. Our corporate card is aimed at ensuring flexibility while removing worry about having sufficient funds in appropriate currencies."

The enforcement of an effective travel and entertainment expense system, therefore, has more to do with efficient accounting and administration than with heavy-handed restrictions on employees' activities which more often than not are counter-productive.

David Churchill

■ INCENTIVES AND EXTRAS

Down-to-earth benefits are well worth considering

FOR VALUE for money, you need to look beyond the width of your seat when you book an airline ticket. Airlines are eager to do business and offer a plethora of added benefits for use even before you set foot on the aircraft.

Separate check-in for first-class and business-class passengers, together with priority baggage (although that often does not work) and private airport lounges are more-or-less standard from the major airlines.

It is worth checking whether there are such offers as complimentary chauffeur-drive to and from the airport, heavily discounted (or sometimes free) hotel accommodation, cheap car hire packages, discounts on leisure facilities and, the best benefit of all, free airline tickets.

Two airlines, Virgin Atlantic and Emirates, offer generous packages in the form of a free economy-class return ticket when you buy a business-class return ticket.

Emirates, the Dubai-based airline of the UAE, offers passengers buying a return London-Dubai ticket in the UK a free economy class ticket that is valid for one year and fully transferable.

Among the airlines which provide a free chauffeur drive facility, Continental, Canadian Airlines International and Cathay Pacific offer it only from the UK end, whereas Emirates also offers it throughout the UAE.

Singapore Airlines (at Manchester only), Virgin, Qantas (including some provincial airports for passengers with connecting British Midland flights to Heathrow), American Airlines (at five US airports only), Air India (first class passengers only in the UK, India and New York), Varig, Viasa and All Nippon Airways all offer this service.

Check with the airline whether the service is either to or from the airport at one or both ends of the route.

Often the offer is limited to a 50-mile radius but Canadian Airlines International extends it up to 80 miles, while Virgin Atlantic goes one step further and provides the transfer from any UK mainland point.

German flag carrier Lufthansa eases the journey to and from the airport throughout Germany, by providing a very efficient Airport Express rail service which runs at 200kph between Dusseldorf, Stuttgart, Cologne, Bonn and the airline's hub at Frankfurt.

Benefits include valet parking at Heathrow with preferential rates covering collection, delivery and off-airport parking

It is free to any Lufthansa passenger and allows you to check in your baggage as soon as you board the train: the baggage is then transported direct to the flight.

Japan Airlines offers free parking at Heathrow for up to seven days, free printing of Japanese/English business cards, free use of the executive service centre at Tokyo's Imperial Hotel and also reservations for the Narita Express to its first-classand business-class passengers.

Another Japanese-owned airline, All Nippon Airways, which recently upgraded its business class (called Club ANA) also offers discounts at its own hotels and at those of Hilton International, Hyatt, Marriott, Concord and Four Seasons.

Fly first or business class to Asia, Australia or New Zealand with Qantas, the Australian flag carrier, from the UK and you will receive a Business Connections card valid for 12 months.

The benefits include valet parking at Heathrow with preferential seven-day and 14-day rates covering collection, delivery and off-airport parking as well as a car-wash, if needed.

If you are Australia-bound, there are discounts on chauffeur-driven transfers from the arrival airport to your destination.

Car hirer Avis offers a discount of between 15 and 20 per cent, and there are discounts at five international hotel chains – Hyatt, Omni, Mandarin Oriental, Sheraton and Regent – as well as room upgrades, free gifts and complimentary breakfast.

And you may be able to play golf for some 20 per cent less cost in Australia.

A newcomer to Heathrow, American Airlines (it already operates from Manchester and Glasgow) offers Private Connection, a freephone help service for its passengers in the US to call anyone from a lawyer to a translator, doctor or restaurateur.

Most airlines offer the best savings at their home base where they generally have the most purchasing power.

It also offers first-class, business-class and full-fare economy passengers an Executive Shortstay programme which allows them to spend their first night free in a Sheraton hotel at their point of entry to the US. That offer is valid until December 31. There are also car-hire deals with Hertz.

Business-class passengers on Air France are entitled to discounts for hotels, car hire and business facilities.

At any Meridien hotel there will be no extra charge if you check in before midday. You will also receive the best room in the category.

At any InterContinental hotel you will benefit from expedited check-in and check-out, priority reservation and no charge if you choose to stay in your room on the day of check-out until 6pm.

Those first-class and business-class passengers of Cathay Pacific with hand baggage only can use a telephone check-in

At InterContinental and any Relais & Chateau hotel you will be booked into the best room in the category.

Air France passengers also qualify for 25 per cent off Hertz car hire rates in Europe and 10 per cent off in 60 countries.

Also, there is a 10 per cent discount off the cost of using the business centre at Charles de Gaulle airport, called 2A, and there is also an 8 per cent discount worldwide off any services at Multiburo business centres.

First-class and business-class passengers of Cathay Pacific, with hand baggage only, can use a telephone check-in system before they arrive at the airport, which provides a seat allocation. Then it only remains for them to arrive 30 to 45 minutes before departure to collect their passes before boarding.

The airline already provides two City Check offices in Hong Kong – one in Kowloon, the other on Hong Kong Island – which allows full check-in (ie seat allocation and the issuing of boarding passes) for passengers checking in at least three hours before departure or the previous day.

Cathay offers discounts at 47 hotels throughout its network, embracing Australasia, Europe, North America and Africa under a Stay-A-While programme. Prices start at £87 per person sharing a twin room in Hong Kong. Breakfast, room tax/service charge and sometimes two-way airport transfer are included.

At London's Churchill Hotel, Cathay passengers can stay for £79 a night or at the Holiday Inn Crowne Plaza in Manchester for even less: at £65 a night.

Remember that most airlines offer the best savings at their home base where they generally have the most purchasing power. This is where you are likely to have access to a spacious private lounge and similar amenities.

For example, Singapore Airlines' Singapore Stopover Holidays scheme offers unbeatable prices at hotels on the tiny island state and provides passengers having to kill time at Changi's new Terminal 2 with a mega-size lounge which can cope with 300 people and offers a business centre – plus showers for departing and transit passengers.

Gill Upton
Editor, Business Traveller

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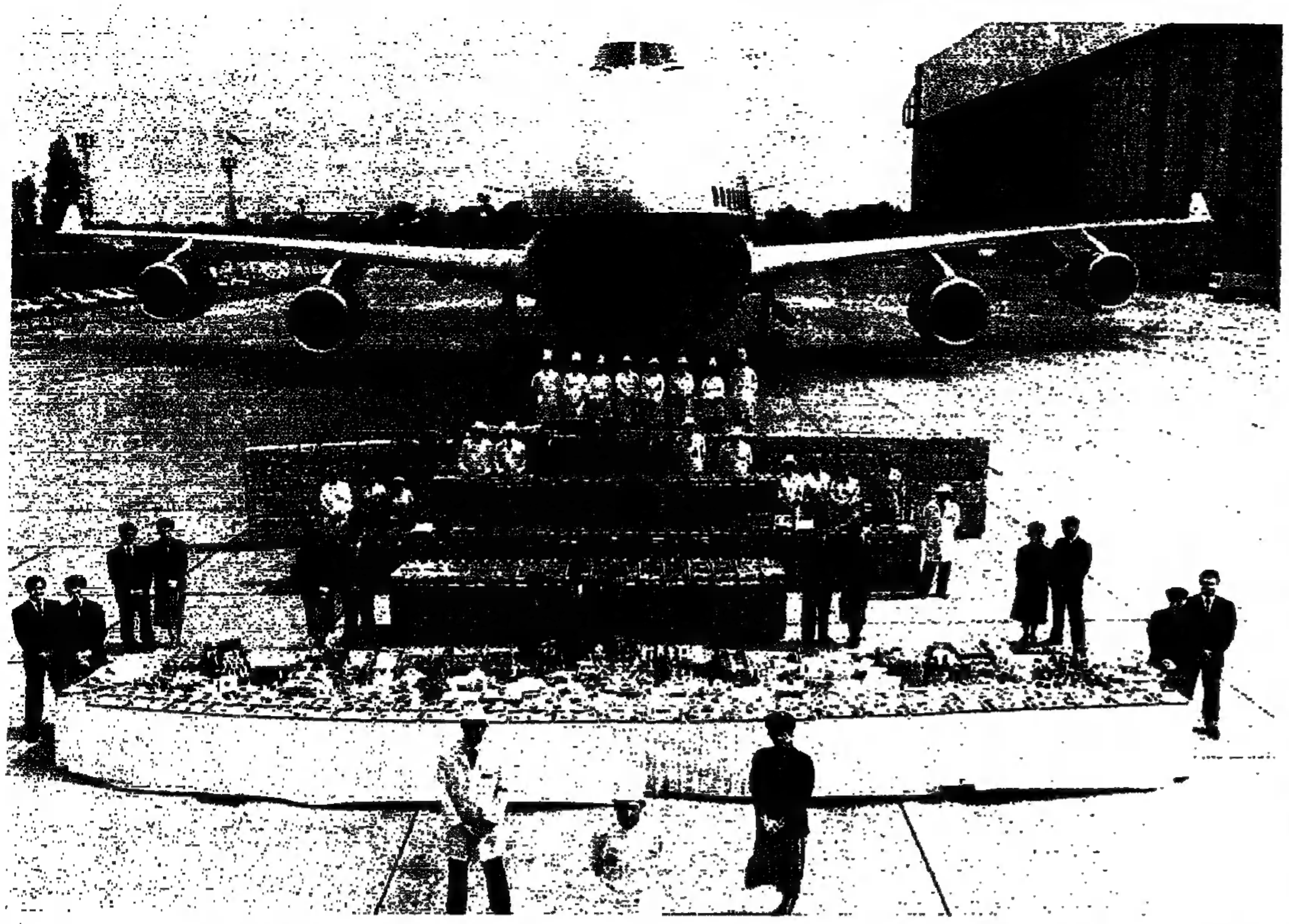


Glyn Genin

A Boeing 747-400 long-range airliner, the most modern of the jumbo jets, with the catering staff and cabin crew needed to keep 350-plus passengers content on an 11-hour non-stop flight. The aircraft usually loads some 34,000 items of stores weighing about 15,000lb – everything from caviare and champage to babies nappies – for every flight. Nineteen cabin crew are usually needed although the high-tech airliner will have only two pilots

Richard Tomkins examines Europe's developing rail network

High-speed train challenge

IT IS the very image of the man in a hurry: the executive stepping aboard an aircraft for a quick flight to that urgent business meeting in the capital of a neighbouring country.

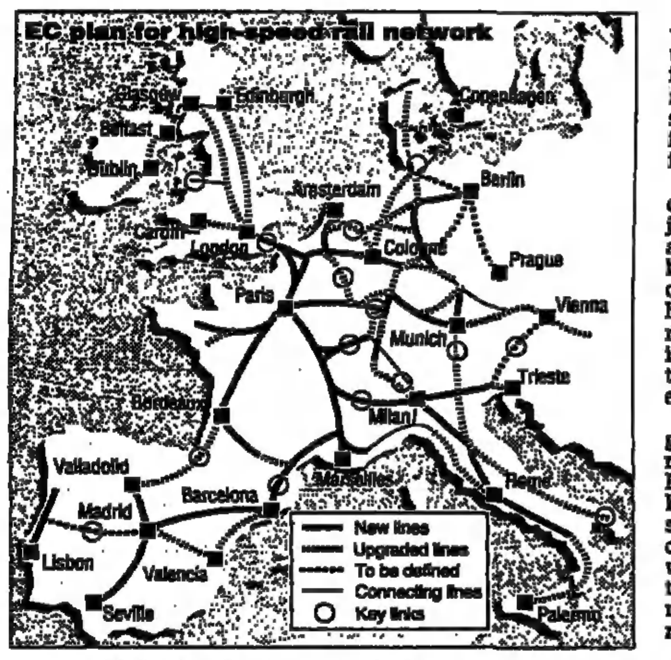
By the turn of the century, however, that image could be looking out of date. Increasingly in Europe, air travel seems likely to be displaced by the "plane on rails" – the high-speed train – as the main mode of transport for short-haul journeys between big cities.

High-speed rail travel is not a new concept. Engineers have striven to increase train speeds ever since railways started to spread across Europe early in the last century. As long ago as 1938, the London and North Eastern Railway in Britain notched up an impressive 126mph with the locomotive Mallard, setting a world record for steam engines which stands today.

War-time damage and lack of maintenance largely halted the process of acceleration in the 1950s. But in 1964 came the event which heralded a new era for rail: the launch of the Tokaido Shinkansen – or "bullet train", as it was dubbed in the west – between Tokyo and Osaka in Japan.

By today's standards, the shinkansen was not particularly fast. Although it ran on purpose-built tracks, its top speed of 130mph barely exceeded the 126 mph which Mallard had achieved on Britain's east coast main line 26 years earlier, and is less than the 140 mph which British Rail electric trains now achieve on the same conventional tracks.

But the significance of the shinkansen was that by reducing the Tokyo-Osaka journey time to less than 3 hours for the 340-mile trip, it undercut the centre-to-centre journey times available by air transport and captured more than half the airborne traffic between the two cities.



It has taken nearly 20 years for the west to follow the Japanese example. But in September 1983, SNCF, the French national railway, inaugurated Europe's first high-speed train – the 168mph Train a Grande Vitesse (TGV) – on a purpose-built line stretching the 267 miles from Paris to Lyon.

Now, high-speed railways are spreading across Europe almost as rapidly as conventional railways did in the last century. France is well advanced on a massive, and still faster, TGV network which will link Paris with virtually every big city in the country; Germany has just opened the first lines of its 175mph IC-Express network; Spain has started on a high-speed system with a line from Madrid to Seville; and the Netherlands, Belgium, Denmark and Italy are at various stages of high-speed rail projects.

Of course, competition has long existed between rail and air transport. The difference the high-speed train makes is to lengthen the range of rail's competitiveness to about 300 miles – as was seen when the opening of the Paris-Lyon TGV brought a collapse in the air travel market between the two cities.

In Europe, therefore, where many small countries are huddled together, high-speed rail is emerging as an alternative to air travel not only within a country's borders, but to destinations in neighbouring countries too.

This is something which the European Commission is keen to encourage. Air transport, after all, is facing acute problems of congestion: flights, air corridors and airports are already facing severe capacity constraints, yet recent forecasts suggest that air traffic could double within the next decade.

The obstacle that lies in the way of diverting more of this traffic growth to rail, however, is the fact that each country's rail network has evolved as a separate national entity, with few attempts to bind the parts into a greater whole.

Perhaps the worst example of this is the way in which jealousies between the French and German national railways has led to their failure to liaise over the development of their high-speed railways – with the result that technical incompatibilities prevent each other's trains from running over on each other's systems.

The EC wants to bridge the gaps by integrating the separate high-speed railways into a European network. Last year, EC transport ministers made some progress towards this objective by adopting a framework plan for a high-speed system embracing about 6,000 miles of new lines and 9,000 miles of upgraded lines.

They also asked the Commission to look at ways of achieving technical harmonisation between the railways and plugging gaps in the system such as the missing link in Britain between London and the Channel tunnel.

Considerable obstacles lie in the way of achieving this objective. Estimated costs of providing the infrastructure and rolling stock for the planned network are put at £100bn. Such expenditure will represent an enormous strain on the budgets of member states.

Yet the threat to the airlines is real. If this was ever in doubt, it became evident when the railways started building stations for their high-speed trains at airports – for example, at Charles de Gaulle in Paris on the line linking the TGV-Nord with the TGV-Sud, and in the Netherlands where the Dutch are planning a station at Schipol on the London-Paris-Amsterdam line.

The clear intention of this strategy is not just to oust air travel on short-haul routes within the EC, but also to capture the airline's inter-line traffic by luring long-distance air travellers at big airports and putting them onto rail for the initial or final legs of their journeys.

One airline which appears to have seen the writing on the wall is Lufthansa, the German national airline. In 1982, it entered a joint venture with DB, the German national railway, to provide the Lufthansa Airport Express between Dusseldorf and Frankfurt airports as an alternative to its own short-haul domestic flights. The success of that venture led to the launch of a second express between Frankfurt and Stuttgart last year.

Over the next few years, moves initiated by the EC to liberalise and deregulate Europe's state-owned railways will greatly open up the opportunities for private sector operators to run trains over EC tracks. Lufthansa may not, therefore, be the last airline to decide that if it cannot beat the railways in the skies, it will have to try to do so on the ground.

David Boggis on competitive manufacturers

Threat to depose King Air

THE typical business aircraft is not a sporty, fighter-like twin-jet from Lear in Wichita, Kansas, or a majestic "airborne boardroom" that will cost you upwards of $25m from Gulfstream in Savannah, Georgia.

It is a smallish, almost portly device that trundles along a taxiway on three stalky undercarriage legs and gets into the air on two modest turbine engines, driving basically the same piece of engineering that got the Wright brothers off the ground in 1903 – propellers.

It goes by the name of King Air. The maker is Beechcraft – generally known as Beech – an old-established US aircraft company dating from before the Second World War.

Beech estimates that it has close on 4,000 King Airs in service worldwide. The dedicated business aircraft type that comes closest to that in numbers is the Cessna Citation range of twin-jets, with no more than about 1,700 flying.

The market for aircraft in the King Air's performance bracket is now under attack from several directions as different business aircraft builders seek to compete. Part of the challenge comes from twin-jet types, but the latest competitor is a Swiss company called Pilatus, which hopes to offer cost savings by achieving King Air performance on one turboprop engine instead of two.

The King Air range comprises three basic models. All are powered by variants of the Pratt & Whitney PT6 turboprop, an engine considered in the industry to be "mature": thousands of PT6s are in service worldwide. The engine has been in operation for many years and is regarded as tough and reliable.

The King Air C90A will carry five occupants – crew included – with baggage, slightly more than 1,000 nautical miles at speeds of about 240 knots. The B200 will cover 1,500 nautical miles at 280 knots. The top-of-the-range 350 is bigger and can take 11 occupants 1,400 nautical miles, cruising at roughly 300 knots.

Inside, the C90A conveys an impression of space. Air Hanson, a company that markets Beech aircraft at Blackbushe airport, Camberley, Surrey, says noise levels in flight are low, and emphasises the solidity and reliability of Beech engineering.

The competition from business jets comes from manufacturers building what they term an "entry-level" aircraft – your company's first jet. The latest challenger is a small, six-place aircraft powered by two Williams/Rolls-Royce FJ44 turbofans, built by Swearingen in San Antonio, Texas, and called the SJ30.

Swearingen's manufacturing experience is in its Merlin business aircraft and Metro commuter, both twin-turboprop types. Mr Les Anderson, the company's vice-president, marketing, points out that the Merlin was a competitor for the King Air long before the SJ30 was designed.

He maintains that the SJ30 is competitive with the King Air not only on performance – with the jet able to carry four passengers 2,400 miles – but on price. Swearingen promises a price of about $2.6m against $3.2m for a B200, and says that because the FJ44s develop only 18,000 thrust – against 30,000 for other typical business jet powerplants – it is also cheap to operate.

'Nobody enjoys having that prop out there, beating away and making noise' says Mr Anderson

Swearingen's sales point is technology. An advanced wing achieves cruise of 445 knots and high-lift devices enable the SJ30 to operate from the same size runways as the turboprop. The aircraft is to be cleared to be flown by one pilot, not two.

"Today", Mr Anderson says, "it is cheaper to build a jet than a turboprop." With no reduction gear to slow down a propeller drive shaft, a small turbofan is lighter and simpler. Even a jet's undercarriage can be lighter, as there is no further need to hoist the aircraft high enough to keep the propeller off the ground.

Market surveys, moreover, indicate customer preference for jets. With a crusader's conviction, Mr Anderson says: "Nobody enjoys having that prop out there, beating away and making noise."

A prototype SJ30 first flew in February. The company is reticent about its order book, but insists that the potential market is substantial.

Cessna has been in the market for entry-level twin-jets since 1969 with its Citations. Its latest model is the CitationJet, which first flew on April 29 and has since accumulated about 75 hours of test flying.

Already about 100 of the type have been ordered. Mr Dean Humphrey, the company's director of public relations, says: "We think a lot of the prospects [for orders] for the CitationJet will come out of the turboprop owners' ranks."

The Cessna uses the same FJ44 engine as the Swearingen, combined with a new-technology wing enabling the aircraft to operate cheaply cruising at 380 knots at 41,000 feet. The company expects to deliver the CitationJet for $2.8m.

Pilatus, in Switzerland, says it can undercut the King Air on purchase price and operating costs by offering nearly the same performance with one engine instead of two. The engine in the PC12, Pilatus's contender in the market, is a variant of the King Air's PT6 rated at 1,200lb shaft horsepower (the industry's measurement of turboprop power). The PT6s on the King Air B200 each develop 850 shaft horsepower.

The PC12 first flew on May 31, and the company expects it to cruise at 268 knots at 25,000 feet, carrying up to nine passengers over a range of 1,600 nautical miles.

The company says its sales potential is 600 to 1,100 aircraft over 15 to 20 years. Some of those sales, according to Mr Larry Bardon, director for PC12 product management, have already come from twin-turboprop operators.

Mr Bardon does not recommend the aircraft, with its single engine, for long stretches over water, but points to its attractions of simplicity compared with twins. The PC12 is proving popular with company executives who pilot themselves.

Beech stands firmly in support of the King Air and has no intention of ending its production in the foreseeable future. It expects to build – and sell – 110 of them this year.

It sees no real threat from the jets. Mr Mike Potts, the company's public relations manager, observes: "It's the difference between a station wagon and a sports car."

As to disparaging comments on the Beech aircraft's 20-year-old technology, he notes: "We have a pretty substantial track record." Of the PC12, he says: "A lot of people have taken aim at the King Air market."

Beech is unfazed. There seems little doubt that the aviation world will still be seeing a lot of the King Air for some years to come.

Looming problems may require fresh thinking and radical solutions, writes **Michael Donne**

Iata focuses on need to tackle airport congestion

THROUGHOUT the world, a *big* campaign is being conducted by the International Air Transport Association (Iata), representing 200 of the world's major airlines, to ensure that governments and other authorities are aware of the urgent need to improve the commercial air transport industry's infrastructure.

Despite the sharp downturn in traffic caused by the economic recession and the Gulf war, from which a slow recovery is now taking place,

Rapid growth will bring with it a resurgence of the problem of serious congestion

the overall long-term forecast is for world scheduled international air traffic to double by either the end of this decade or early in the next century from the present level of more than 1.1bn passengers a year to more than 2bn.

This rapid growth will bring with it a resurgence of the problem looming in the industry before the events of 1990-91: serious congestion arising from the inability of airport terminals, runways and the world's air traffic control systems to cope.

The Association of European Airlines, *which represents* 22 of the biggest airlines in western Europe, has already pointed out to the European Commission and governments that "air transport can only contribute effectively to European integration and adequately satisfy user requirements if Community policies ensure that the airline industry can conduct its business in a sound economic environment."

This means paying much more attention to, and *spending more money on*, the development of a sound and adequate infrastructure on the ground.

Early last year, Iata, in a special report on infrastructure needs, pointed out that before the *mid-nineties, 22 out of 48* international airports in Europe would run out of *runway capacity. Another 11* airports would face similar problems between 1996 and the year 2000 if no corrective measures were taken.

Moreover, the Iata report noted that congestion was already causing losses of some *$5bn a year to the* air transport and related industries and national economies in western Europe.

It said that this figure would rise to $10bn a year by the end of the century if nothing were done.

To help hammer that message home, Iata has created a special Air Transport Action Group (Atag).

The group includes among its members not only airlines but several aircraft manufacturers and other interested bodies, *and they* will press for aviation infrastructure improvements *on a worldwide basis.*

The Atag, headed by Mr John Meredith who has been seconded from British Airways for the task, says that while some airports have been able

Refurbishment, modernisation and expansion are already taking place at many airports

to upgrade and expand their *facilities*, the *impending* dramatic growth in traffic, lack of clear government policies, together with environmental constraints and shortage of finance, have all contributed to inadequate facilities for passengers and shippers *at many airports.*

It cannot be denied that much work is already under way *in many countries* – as many regular travellers already know to their cost and inconvenience.

Refurbishment, modernisation and expansion are taking place at many airports and it is estimated that between *now and the end* of this decade some $150bn is likely to be spent worldwide on maintaining and improving the infrastructure.

But it is the Atag's case that this is not likely to be enough – especially, for example, when set against the *$617bn* expected to be spent on nearly 9,000 new transport aircraft of all kinds by the early years of the next century.

Atag believes that governments should be urged to spend more and to speed the *pace of implementation of* existing and proposed development plans.

It has also declared that "aviation policies are frequently out of touch with the needs of the customers.

"Moreover... the notion that airlines alone should bear the costs of infrastructure improvements ignores the fact *that the community as a whole* gains substantial benefits from flourishing air services," it says.

In Britain, for example, while it is expected that planning application will soon be submitted for a big new £1bn-plus terminal at Heathrow, London, capable of handling another 20m passengers a year, the terminal will not be available until around the end of the century.

And that is after allowing *for the public planning* inquiry into its environmental and other consequences, and also allowing *for government* decision-making and construction time.

Similarly, although the UK government has a working party studying possible sites

Parallels can be found throughout not only western Europe but also the rest of the world

for a new runway for *south-east England*, a decision cannot be taken until after whatever proposal is made has been *subjected to public* planning procedures.

This means that such a runway, wherever it may be, will not be available until around *the turn of* the century, by which time the existing London airports infrastructure will be coming under severe strain.

This will be the case even *after allowing for the interim* development of a second large terminal at Stansted in Essex to increase that airport's capacity from about 8m passengers a year to about 15m and for steadily increasing use of the small *London City Airport* in Docklands.

The city airport's use may increase especially if approval is given to lengthen its runway to allow jet airliners to use that airport instead of the smaller turbo-props to *which it is* at present restricted.

In other parts of the UK, big new developments are already under way to ease the situation, with a second large terminal at Manchester and a new terminal at Birmingham, for example.

Parallels can be found throughout not only western Europe but also the rest of the world.

Atag's case is that it is never *too soon to* start thinking of new airport developments because, if left unchecked, "already unacceptably clogged airports and airways will grow more congested by the day".

Atag points out that very *often by the time such new*

It is reasonable to assume that even by the year 2020 there will be further demand for more facilities

developments become available it is already time to start thinking of further ones *to cope* with continued traffic growth.

Although no one can predict with certainty what future growth rates will be well into the next century, it is reasonable to assume *that* demand for air transport is not going to come to a standstill.

It is therefore also reasonable to assume that even by *the year 2020* there will be further demand for more terminal and runway facilities in the UK as a whole.

This demand may well have to be met by radical departures from existing conventions and ideas, instead of the *practice* hitherto employed of adding new terminals and runways to existing strained facilities with all the environmental consequences to surrounding communities.

There are many in the British air transport industry who *believe that a return to the* concept of a major offshore airport on reclaimed land in the south-east will be the only way of minimising the environmental problems and relieving pressures on existing land resources.

Those people also believe that such thinking should start now, so as to prepare the population *at large* for the necessity of putting such ideas into practice whenever the time comes.

Worldwide, a total of $617bn is expected to be spent on nearly 9,000 new transport aircraft by the beginning of the next century. Iata wants more spent on infrastructure

Glyn Genin